DAMENG

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

(incorporated in Bermuda with limited liability)

(Stock Code: 1091)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
REVENUE	*5*	**1,693,797**	1,287,350
Cost of sales		**(1,300,704)**	(1,030,692)
Gross profit		**393,093**	256,658
Other income and gains	*5*	**62,447**	9,364
Gain on bargain purchase from the acquisition of a subsidiary	*3*	**259,244**	–
Selling and distribution costs		**(41,129)**	(36,168)
Administrative expenses		**(120,460)**	(92,701)
Share option expenses		**(29,768)**	–
Other expenses		**(25,445)**	(10,616)
Finance costs	*6*	**(61,064)**	(42,531)
PROFIT BEFORE TAX	*7*	**436,918**	84,006
Income tax expense	*8*	**(63,917)**	(13,567)
PROFIT FOR THE PERIOD		**373,001**	70,439
OTHER COMPREHENSIVE INCOME/(LOSS)		**69,909**	(3,659)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**442,910**	66,780

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Total profit/(loss) attributable to:		
Owners of the parent	**380,001**	50,693
Non-controlling interests	**(7,000)**	19,746
	373,001	70,439
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**448,828**	51,735
Non-controlling interests	**(5,918)**	15,045
	442,910	66,780
Earnings per share attributable to ordinary equity shareholders of the parent:		
– Basic	**12.56 HK cents**	3.44 HK cents
– Diluted	**12.56 HK cents**	3.44 HK cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2011

	Notes	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,429,319**	2,145,238
Investment properties		**64,058**	62,612
Prepaid land lease payments		**479,727**	164,886
Intangible assets		**816,076**	300,759
Available-for-sale equity investment		**4,470**	4,369
Deferred tax assets		**84,293**	79,929
Deposits and prepayment	*11*	**303,318**	129,362
Total non-current assets		**4,181,261**	2,887,155
CURRENT ASSETS			
Inventories		**698,943**	449,995
Trade and notes receivables	*10*	**745,544**	603,934
Prepayments, deposits and other receivables	*11*	**418,937**	187,842
Due from related companies	*15*	**73,538**	53,739
Tax recoverable		**–**	730
Pledged deposits		**118,928**	71,543
Cash and cash equivalents		**2,332,031**	2,580,741
Total current assets		**4,387,921**	3,948,524
CURRENT LIABILITIES			
Trade payables	*12*	**415,911**	240,223
Other payables and accruals	*13*	**541,279**	446,694
Interest-bearing bank and other borrowings	*14*	**1,281,601**	1,172,735
Due to related companies	*15*	**1,815**	3,515
Tax payable		**21,056**	–
Total current liabilities		**2,261,662**	1,863,167
NET CURRENT ASSETS		**2,126,259**	2,085,357
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,307,520**	4,972,512

	Note	**30 June 2011** *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*14*	**1,862,124**	1,514,156
Deferred tax liabilities		**198,054**	16,973
Other long-term liabilities		**3,785**	3,700
Deferred income		**67,189**	35,684
Total non-current liabilities		**2,131,152**	1,570,513
Net assets		**4,176,368**	3,401,999
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**302,480**	302,480
Reserves		**3,508,071**	3,029,475
		3,810,551	3,331,955
Non-controlling interests		**365,817**	70,044
Total equity		**4,176,368**	3,401,999

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

1. CORPORATE INFORMATION

CITIC Dameng Holdings Limited (the "**Company**") was incorporated in Bermuda on 18 July 2005 as an exempted company with limited liability under Section 14 of the Companies Act 1981 of Bermuda (as amended). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Suites 3501-3502, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 November 2010.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise of manganese mining, ore processing and downstream processing operations in PRC, and developing manganese mining and ore operations in Gabon.

2. BASIS OF PREPARATION

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

3. BUSINESS COMBINATION

On 31 May 2011, the Group acquired 60% equity interest of Guizhou Zunyi Hui Xing Ferroalloy Limited Company ("**Hui Xing Company**") at a consideration of RMB162,260,000 (equivalent to HK$193,070,000). The principal activities of Hui Xing Company included manganese ore mining, ferroalloy production and logistics services in PRC. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Hui Xing Company for one month from the acquisition date.

The Group has elected to measure the non-controlling interest in Hui Xing Company at the non-controlling interests' proportionate share of the fair value of Hui Xing Company's identifiable net assets.

The fair values of the identifiable assets and liabilities of Hui Xing Company as at the date of acquisition were as follows:

	Fair value recognized on acquisition *HK$'000*
Property, plant and equipment	92,194
Prepaid land lease payment	314,174
Mining rights	506,100
Inventories	169,994
Prepayments, deposits and other receivables	55,530
Trade and notes receivables	101,848
Cash and bank balances	22,946
Trade and notes payables	(78,306)
Accrued liabilities and other payables	(249,218)
Deferred income	(14,564)
Deferred tax liabilities	(166,841)
Non-controlling interests	(301,543)
	452,314
Satisfied by:	
Capital injection	193,070
Gain on bargain purchase recognized in the interim condensed consolidated income statement	259,244

The fair values of the trade and notes receivables and other receivables as at the date of acquisition amounted to HK$101,848,000 and HK$7,955,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$102,522,000 and HK$8,122,000, respectively, of which trade receivables of HK$674,000 and other receivables of HK$167,000 are expected to be uncollectible.

The Group recognized gain on bargain purchase of HK$259,244,000 in the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2011, which was primarily attributable to the consideration determined based on the carrying amount of the net assets of Hui Xing Company that was mutually agreed between the parties.

The Group incurred transaction costs of HK$12,434,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the interim condensed consolidated statement of comprehensive income.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(193,070)
Cash and bank balances acquired	22,946
Net outflow of cash and cash equivalents included in cash flows from investing activities	(170,124)
Transaction costs of the acquisition included in cash flows from operating activities	(12,434)
	(182,558)

Since its acquisition, Hui Xing Company contributed HK$67,906,000 to the Group's revenue and loss of HK$3,319,000 to the consolidated profit for the period ended 30 June 2011.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the period would have been HK$1,946,760,000 and HK$356,818,000, respectively.

The purchase price allocation of Hui Xing Company is still preliminary, pending the finalization of the valuation of land use right and mining right, and the determination of the tax basis of the assets and liabilities acquired.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

(a) 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 beneficiation, concentrating, grinding and the production of manganese concentrate and natural discharging manganese powder and sand;

(b) the manganese downstream processing segment comprises hydrometallurgical processing and pyrometallurgical processing, and the resulting products of which includes Electrolytic Manganese Metal ("**EMM**"), Electrolytic Manganese Dioxide ("**EMD**"), manganese sulfate, silicomanganese alloys, ferromanganese and manganese tetroxide;

(c) the non-manganese ferroalloy processing segment engaged in the production and sale of non-manganese ferroalloys, including high carbon ferrochromium; and

(d) the others segment comprises, principally, the trading of various commodities such as manganese ore, EMM, chromium ore and sulphur.

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

Segment assets exclude deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

	Manganese mining and ore processing	**Manganese downstream processing**	**Non-manganese ferroalloy processing**	**Others**	**Eliminations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2011 (Unaudited)						
Segment revenue:						
Sales to external customers	**109,946**	**1,373,988**	**81,713**	**128,150**	**–**	**1,693,797**
Intersegment sales	**42,310**	**–**	**–**	**–**	**(42,310)**	**–**
Other revenue	**18,622**	**1,222**	**128**	**30,184**	**–**	**50,156**
Total	**170,878**	**1,375,210**	**81,841**	**158,334**	**(42,310)**	**1,743,953**
Segment results	**53,952**	**250,352**	**(12,182)**	**16,224**	**–**	**308,346**
Reconciliations:						
Interest income						**12,291**
Gain on bargain purchase						**259,244**
Corporate and other unallocated expenses						**(81,899)**
Finance costs						**(61,064)**
Profit before tax						**436,918**
Income tax expense						**(63,917)**
Profit for the period						**373,001**
Assets and liabilities						
Segment assets	**1,095,909**	**4,893,870**	**195,847**	**567,683**	**–**	**6,753,309**
Reconciliations:						
Corporate and other unallocated assets						**1,815,873**
Total assets						**8,569,182**
Segment liabilities	**460,568**	**1,118,497**	**45,565**	**75,188**	**–**	**1,699,818**
Reconciliations:						
Corporate and other unallocated liabilities						**2,692,996**
Total liabilities						**4,392,814**

	Manganese mining and ore processing *HK$'000*	Manganese downstream processing *HK$'000*	Non-manganese ferroalloy processing *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Six months ended 30 June 2010 (Audited)						
Segment revenue:						
Sales to external customers	95,630	980,981	188,908	21,831	–	1,287,350
Intersegment sales	50,140	–	–	–	(50,140)	–
Other revenue	–	4,243	114	1,579	–	5,936
Total	145,770	985,224	189,022	23,410	(50,140)	1,293,286
Segment results	38,249	121,337	(6,910)	(379)	–	152,297
Reconciliations:						
Interest income						3,428
Corporate and other unallocated expenses						(29,188)
Finance costs						(42,531)
Profit before tax						84,006
Income tax expense						(13,567)
Profit for the period						70,439
Assets and liabilities						
Segment assets	746,684	2,276,639	238,627	404,734	–	3,666,684
Reconciliations:						
Corporate and other unallocated assets						612,244
Total assets						4,278,928
Segment liabilities	266,102	393,050	99,629	25,859	–	784,640
Reconciliations:						
Corporate and other unallocated liabilities						2,415,096
Total liabilities						3,199,736

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the reporting period.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue		
Sales of goods	**1,693,797**	1,287,350
Other income and gains		
Interest income	**12,291**	3,428
Gain on disposal of items of property, plant and equipment	**206**	665
Subsidy income	**1,521**	4,361
Foreign exchange differences, net	**30,082**	–
Sales of scraps and raw materials	**8,724**	–
Others	**9,623**	910
	62,447	9,364

6. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest on bank loans and other loans wholly repayable within five years	**62,729**	46,487
Interest on bank loans and other loans wholly repayable for more than five years	**–**	1,821
Finance costs for discounted notes receivable	**2,344**	805
Less: Interest capitalized	**(4,009)**	(6,582)
	61,064	42,531

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Cost of inventories sold	**1,284,697**	1,024,851
Depreciation	**89,193**	77,420
Amortization of prepaid land lease payments	**3,069**	3,769
Amortization of intangible assets	**3,523**	3,116
Auditors' remuneration	**1,497**	1,457
Minimum lease payments under operating leases, land and buildings	**5,349**	3,761
Equity-settled share option expenses	**29,768**	–
Employee benefit expense	**120,859**	114,539
(Gain)/loss on disposal of items of property, plant and equipment*	**(206)**	252
Foreign exchange differences, net	**(30,082)**	417
Write-down of inventories to net realizable value, net#	**16,007**	5,841
Impairment of trade and other receivables, net*	**6,827**	2,709

Included in "Cost of sales" in the interim condensed consolidated statement of comprehensive income.

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

8. INCOME TAX

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

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current – PRC		
Charge for the period	**54,336**	16,932
Deferred	**9,581**	(3,365)
Total tax charge for the period	**63,917**	13,567

Hong Kong profits tax

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

PRC corporate income tax

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rates on the taxable profits for the current period, based on the existing legislation, interpretations and practices in respect thereof.

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011. The dividends for the six months ended 30 June 2010 was declared by the Company to its shareholders before the reorganization as detailed in the Prospectus.

10. TRADE AND NOTES RECEIVABLES

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**554,136**	264,044
Notes receivable	**203,952**	344,711
	758,088	608,755
Less: Impairment	**(12,544)**	(4,821)
	745,544	603,934

Notes receivable represent bank acceptance notes of the Company's subsidiaries which are issued by major banks in the PRC.

The Group normally offers credit terms of 30 to 90 days to its established customers.

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

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one month	**403,772**	386,822
One to two months	**161,396**	84,704
Two to three months	**66,064**	29,346
Over three months	**114,312**	103,062
	745,544	603,934

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

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At 1 January 2011/1 January 2010	**4,821**	5,874
Impairment losses recognized	**6,851**	471
Acquisition of a subsidiary	**674**	–
Write-off	**–**	(1,704)
Exchange realignment	**198**	180
At 30 June 2011/31 December 2010	**12,544**	4,821

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

	30 June 2011 *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
Neither past due nor impaired	**631,232**	592,404
1 to 3 months past due	**95,854**	7,873
Over 3 months past due	**18,458**	3,657
Total	**745,544**	603,934

Trade and notes receivables are unsecured and interest-free. The carrying amounts of trade and notes receivables approximate to their fair values.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Non-current portion

	30 June 2011 *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
Deposits	**289,933**	124,302
Prepayment	**13,385**	5,060
	303,318	129,362

Current portion

	30 June 2011 *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
Prepayments	**273,913**	97,629
Deposits and other receivables	**145,024**	90,213
	418,937	187,842

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2011 *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
Within one month	**241,958**	152,182
One to two months	**77,013**	13,086
Two to three months	**35,417**	17,017
Over three months	**61,523**	57,938
	415,911	240,223

13. OTHER PAYABLES AND ACCRUALS

	30 June 2011 *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
Advances from customers	**91,110**	98,773
Other payables	**310,390**	207,785
Accruals	**139,779**	140,136
	541,279	446,694

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2011			31 December 2010		
	Effective Interest rate (%)	**Maturity**	*HK$'000* **(Unaudited)**	Effective Interest rate (%)	Maturity	*HK$'000* (Audited)
Current						
Bank loans -secured	**5.81-6.06**	**2012**	**36,111**	4.78	2011	35,295
Bank loans -unsecured	**5.23-6.31**	**2011-2012**	**648,794**	4.78-5.56	2011	516,484
Current portion of long term bank loans – secured	**–**	**–**	**–**	6.53	2011	41,177
Current portion of long term bank loans – unsecured	**4.86-5.40**	**2012**	**84,259**	4.86-5.40	2011	188,240
Long term bank loans with on demand clause – unsecured	**LIBOR+0.85**	**On demand**	**381,234**	LIBOR+0.85	On demand	273,889
Other loans – unsecured	**6.0**	**2011**	**131,203**	4.70	2011	117,650
			1,281,601			1,172,735
Non-current						
Bank loans -secured	**5.27-6.65**	**2013-2015**	**494,721**	5.40-5.94	2012-2015	248,242
Bank loans -unsecured	**4.86-5.80**	**2012-2016**	**1,367,403**	4.86-5.76	2012-2016	1,265,914
			1,862,124			1,514,156
			3,143,725			2,686,891

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,150,398**	1,055,085
In the second year	**1,117,034**	480,012
In the third to fifth years, inclusive	**745,090**	897,670
Beyond five years	**–**	136,474
	3,012,522	2,569,241
Other loans repayable:		
Within one year or on demand	**131,203**	117,650
	3,143,725	2,686,891

Certain of the Group's bank loans are secured by certain of the Group's assets.

15. RELATED PARTY BALANCES AND TRANSACTIONS

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

	Notes	Six months ended 30 June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Audited)
Purchase of raw materials from subsidiaries of Guangxi Dameng Manganese Industrial Co., Ltd. ("**Guangxi Dameng**")	*(i)*	**6,475**	22,328
Purchase of property, plant and equipment from a subsidiary of Guangxi Dameng	*(i)*	**187**	–
Sales of goods to subsidiaries of Guangxi Dameng	*(ii)*	**23,526**	16,758
Provision of electricity and water to Guangxi Dameng	*(iii)*	**20**	–
Provision of integrated service as defined in the Prospectus by Guangxi Dameng	*(iv)*	**2,856**	1,366
Interest income on deposits placed with subsidiaries of a company that exercises significant influence over the Group	*(v)*	**1,344**	–
Tax indemnity charged to Highkeen Resources Limited ("**Highkeen**")	*(vi)*	**3,987**	–
Tax indemnity charged to Apexhill Investments Limited ("**Apexhill**")	*(vi)*	**997**	–
Tax indemnity charged to Guangxi Dameng	*(vi)*	**2,625**	–
Guarantee charges paid to Guangxi Dameng	*(vii)*	**–**	529

Notes:

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

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

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

(iv) Service fees were charged at a monthly amount of RMB200,000 (equivalent to HK$238,000) as mutually agreed by the parties.

(v) The interest income arose from the deposits with related companies which were in the usual and ordinary course of business of the Group.

(vi) Pursuant to the deed of tax indemnity dated 3 November 2010, Highkeen, Apexhill and Guangxi Dameng agreed to indemnify against taxation falling on any of the companies of the Group resulting from any income, profits and gains earned, accrued or received (or deemed to be so) on or before 30 June 2010. During the period, the Company charged the tax indemnity according to the income tax clearance of subsidiaries for the year ended 31 December 2010 to Highkeen, Apexhill and Guangxi Dameng, respectively.

(vii) Guarantee fees were charged based on 1.5% of the guaranteed amounts effective from 1 April 2008 as mutually agreed by the parties. No guarantee was provided by related companies for bank loans during the six months ended 30 June 2011.

(b) Outstanding balances with related parties

	30 June 2011 *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
Due from related companies		
Trade receivables	**33,041**	30,408
Other receivables	**8,414**	–
Prepayments	**32,083**	23,331
	73,538	53,739
Due to related companies		
Trade payables	**1,815**	2,398
Other payables	**–**	1,117
	1,815	3,515
Bank deposits with related companies	**191,207**	192,936

Trade receivables from the Group's related companies are unsecured, interest-free and repayable on similar credit terms to those offered to the customers of the Group. The Group's prepayments and other receivables from related companies and shareholders are unsecured, interest-free and have no fixed terms of repayment.

Trade payables to the Group's related companies are interest-free and have no fixed terms of repayment. The Group's other payables to related companies are unsecured, interest-free and have no fixed terms of repayment.

(c) **Compensation of key management personnel of the Group**

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Salaries, allowances and benefits in kind	**3,929**	1,453
Bonuses	**59**	2,754
Equity-settled share option expenses	**22,045**	–
Pension scheme contributions	**85**	122
Total compensation paid to key management personnel	**26,118**	4,329

16. EVENT AFTER THE REPORTING PERIOD

On 26 July 2011, CITIC Dameng Mining Industries Co., Limited entered into the agreements with two individuals, Huang Jian Ying and Zheng Yuan Wei, respectively, to acquire 100% equity interest in Guangxi Sanmenglong Mining Co., Ltd. ("**Sanmenglong**"), a company which is principally engaged in manganese mine exploration, excavation and further processing in Guangxi, the PRC. The total purchase consideration for the acquisition of Sanmenglong was approximately RMB26,800,000 (equivalent to HK$31,888,800). No significant goodwill or negative goodwill was generated from the acquisition of Sanmenglong as the purchase consideration approximated to the fair value of the identifiable net assets of Sanmenglong as at the acquisition date.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

	1H 2011	1H 2010	Increase/(decrease)	
	HK$'000	*HK$'000*	*HK$'000*	%
Revenue	**1,693,797**	1,287,350	406,447	32%
Operating profit (excluding share options expenses)	**207,442**	84,006	123,436	147%
Share options expenses	**(29,768)**	–	(29,768)	N/A
Operating profit	**177,674**	84,006	93,668	112%
Gain on bargain purchase	**259,244**	–	259,244	N/A
Profit before tax	**436,918**	84,006	352,912	420%
Income tax expenses	**(63,917)**	(13,567)	(50,350)	371%
Profit after tax	**373,001**	70,439	302,562	430%
Profit attributable to owners of the parent	**380,001**	50,693	329,308	650%
(Loss)/profit attributable to non-controlling interests	**(7,000)**	19,746	(26,746)	(135%)
	373,001	70,439	302,562	430%

Financial Highlights

- Turnover amounted to HK$1,693.8 million for 1H 2011, representing an increase of 31.6% from HK$1,287.4 million of 1H 2010.
- Operating profit (excluding share option expenses) before gain on bargain purchase for 1H 2011 reached HK$207.4 million, representing an increase of 147% over HK$84.0 million of 1H 2010.
- The Group recorded an one-off gain HK$259.2 million on bargain purchase upon acquisition of Hui Xing Company.
- The Group's profit after tax amounted to HK$373.0 million for 1H 2011, representing an increase of 430% over HK$70.4 million of 1H 2010.
- Profit attributable to owners of the parent amounted to HK$380.0 million for 1H 2011, representing an increase of 650% over HK$50.7 million of 1H 2010.

Overview

In 1H 2011, the consolidated net profit attributable to the shareholders of the Company is HK$380.0 million (1H 2010: HK$50.7 million), or a 650% increase as compared with 1H 2010. This was mainly due to: (1) the strong performance of EMM segment both in terms of selling price and volume of sales, (2) the acquisition of an additional 34.5% equity interest in a then 65.5% owned major operating subsidiary, CITIC Dameng Mining Industries Co., Limited, pursuant to a corporate reorganization which was completed on 27 October 2010 and (3) gain on bargain purchase arising from the acquisition of Hui Xing Company.

Comparison with six months ended 30 June 2010

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

	Six months ended 30 June							
	2011				2010			
	Sales Volume	**Average Selling Price**	**Revenue**	**% of Total Revenue**	Sales Volume	Average Selling Price	Revenue	% of Total Revenue
	(tonnes)	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*	*(tonnes)*	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*
Manganese mining and ore processing								
Manganese concentrate	**92,532**	**617**	**57,122**	**3.4**	71,743	553	39,671	3.0
Natural discharging manganese powder and sand	**17,833**	**2,962**	**52,824**	**3.1**	23,701	2,361	55,959	4.3
Sub-Total	**110,365**	**996**	**109,946**	**6.5**	95,444	1,002	95,630	7.3

	Six months ended 30 June							
	2011				2010			
	Sales Volume	**Average Selling Price**	**Revenue**	**% of Total Revenue**	Sales Volume	Average Selling Price	Revenue	% of Total Revenue
	(tonnes)	***(HK$/ Tonne)***	***(HK$'000)***	***(%)***	*(tonnes)*	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*
Manganese downstream processing								
EMM	**49,932**	**19,572**	**977,267**	**57.7**	46,212	14,903	688,737	53.5
Silicomanganese alloy	**27,097**	**7,763**	**210,342**	**12.4**	26,611	7,397	196,864	15.3
EMD	**8,573**	**10,072**	**86,350**	**5.1**	5,191	8,864	46,017	3.6
Manganese sulfate	**11,095**	**3,902**	**43,291**	**2.6**	11,893	3,446	40,992	3.2
Ferromanganese	**4,699**	**8,168**	**38,383**	**2.3**	1,134	7,381	8,371	0.7
Manganese tetroxide	**1,072**	**17,123**	**18,355**	**1.1**	–	–	–	–
Sub-Total	**102,468**	**13,409**	**1,373,988**	**81.2**	91,041	10,775	980,981	76.3
Non-manganese ferroalloy processing								
High carbon ferrochromium	**7,647**	**10,288**	**78,673**	**4.6**	19,446	9,714	188,908	14.7
Lithium cobalt oxide	**13**	**233,846**	**3,040**	**0.2**	–	–	–	–
Sub-Total	**7,660**	**10,667**	**81,713**	**4.8**	19,446	9,714	188,908	14.7
Other business								
Trading	**24,943**	**5,138**	**128,150**	**7.5**	3,294	6,628	21,831	1.7
Total	**245,436**	**6,901**	**1,693,797**	**100.0**	209,225	6,153	1,287,350	100.0

Revenue

In 1H 2011, the Group's revenue reached HK$1,693.8 million (1H 2010: HK$1,287.4 million), representing an increase of 31.6% as compared with 1H 2010. During the period, the upbeat environment in PRC continued to boost demand and led to increase in both selling prices and sales volume for most of our downstream products, especially our major product, EMM.

Manganese mining and ore processing – As most of the ore we mined were consumed internally, performance of manganese mining and ore processing segment, representing only those sales to third parties, remained satisfactory in 1H 2011 compared with 1H 2010. Revenue derived from this segment surged 15.0% to HK$109.9 million (1H 2010: HK$95.6 million) as sales volume increased by 15.6% to 110,365 tonnes (1H 2010: 95,444 tonnes). Average selling price was also stable at HK$996/tonne (1H 2010: HK$1,002/tonne). Cost of extracting manganese ores in the early stage of the two new sub-regions, namely Luli and Dongmeng areas of Tiandeng mining operations are similar to the two sub-regions of Tiandeng Mine which were depleted in February 2011.

Manganese downstream processing – Benefited from overwhelming demand in steel market, EMM now accounted for 57.7% (1H 2010: 53.5%) of our total sales. Average EMM price rose to HK$19,572/tonne (1H 2010: HK$14,903/tonne), representing an increase of 31.3%. The sales volume of EMM increased by 8.0% to 49,932 tonnes (1H 2010: 46,212 tonnes) simultaneously as we strived to further increase production volume at Daxin EMM Plant and Start EMM Plant in response to stronger market demand.

Sales volume of EMD for 1H 2011 soared by 65.2% to 8,573 tonnes (1H 2010: 5,191 tonnes). Average selling price increased by 13.6% to HK$10,072/tonne (1H 2010: HK$8,864/tonne). This increase was primarily due to a comparatively higher production volume as our second Daxin EMD production line commenced production in September 2010.

In 1H 2011, market demand for silicomanganese alloy remained weak due to fierce competition. We adopted a price optimization strategy by controlling the sales volume. As a result, average selling price of silicomanganese alloy increased by 4.9% to HK$7,763/tonne (1H 2010: HK$7,397/tonne), which was in line with other commodity price increase. Besides, sales volume moderately increased by 1.8% to 27,097 tonnes (1H 2010: 26,611 tonnes).

Non-manganese ferroalloy processing – Sluggish demand of high carbon ferrochromium led to the significant drop in sales volume by 60.7% to 7,647 tonnes (1H 2010: 19,446 tonnes) despite an increase in the average selling prices of 5.9% to HK$10,288/tonne (1H 2010: HK$9,714/tonne) following the general rise in commodity prices.

The following table sets out the cost of sales, unit cost of sales, gross profit and gross profit margins of our products and services.

	Six months ended 30 June							
	2011				2010			
	Cost of Sales	**Unit Cost of Sales**	**Gross Profit/(Loss)**	**Gross Profit/(Loss) Margin**	Cost of Sales	Unit Cost of Sales	Gross Profit/(Loss)	Gross Profit/(Loss) Margin
	(HK$'000)	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*
Manganese mining and ore processing								
Manganese concentrate	**20,682**	**224**	**36,440**	**63.8**	10,137	141	29,534	74.4
Natural discharging manganese powder and sand	**13,074**	**733**	**39,750**	**75.2**	16,742	706	39,217	70.1
Sub-Total	**33,756**	**306**	**76,190**	**69.3**	26,879	282	68,751	71.9
Manganese downstream processing								
EMM	**699,440**	**14,008**	**277,827**	**28.4**	524,628	11,353	164,109	23.8
Silicomanganese alloy	**191,516**	**7,068**	**18,826**	**9.0**	181,717	6,829	15,147	7.7
EMD	**60,765**	**7,088**	**25,585**	**29.6**	40,666	7,834	5,351	11.6
Manganese sulfate	**34,575**	**3,116**	**8,716**	**20.1**	32,612	2,742	8,380	20.4
Ferromanganese	**40,475**	**8,614**	**(2,092)**	**(5.5)**	11,692	10,310	(3,321)	(39.7)
Manganese tetroxide	**17,674**	**16,487**	**681**	**3.7**	–	–	–	–
Sub-Total	**1,044,445**	**10,193**	**329,543**	**24.0**	791,315	8,692	189,666	19.3

	Six months ended 30 June							
	2011				2010			
	Cost of Sales	**Unit Cost of Sales**	**Gross Profit/(Loss)**	**Gross Profit/(Loss) Margin**	Cost of Sales	Unit Cost of Sales	Gross Profit/(Loss)	Gross Profit/(Loss) Margin
	(HK$'000)	***(HK$/ Tonne)***	***(HK$'000)***	***(%)***	*(HK$'000)*	*(HK$/ Tonne)*	*(HK$'000)*	*(%)*
Non-manganese ferroalloy processing								
High carbon ferrochromium	**77,472**	**10,131**	**1,201**	**1.5**	182,653	9,393	6,255	3.3
Lithium cobalt oxide	**3,080**	**236,923**	**(40)**	**(1.3)**	–	–	–	–
Sub-Total	**80,552**	**10,516**	**1,161**	**1.4**	182,653	9,393	6,255	3.3
Other business								
Trading	**125,944**	**5,049**	**2,206**	**1.7**	24,004	7,287	(2,173)	(10.0)
Inventory provision	**16,007**		**(16,007)**		5,841		(5,841)	
Total	**1,300,704**		**393,093**	**23.2**	1,030,692		256,658	19.9

Cost of Sales

Cost of sales increased by HK$270.0 million or 26.2%, to HK$1,300.7 million in 1H 2011, as compared to HK$1,030.7 million in 1H 2010. The increase was primarily due to the increases in the cost of direct materials and purchase directly for trading. This cost increase was primarily attributed to the overall increase in sales volume during 2011 as well as the increased price of raw and auxiliary material costs which are highly correlated with the economic growth and the recent inflationary environment in PRC.

The unit cost of manganese mining and ore processing segment during 1H 2011 increased by 8.5% to HK$306/tonne (1H 2010: HK$282/tonne). This increase was mainly attributable to (i) lower production efficiency in Luli and Dongmeng sub-regions of Tiandeng Mine mining operations which were in commencement stage of production in early 2011; (ii) higher transportation cost as the location is more remote from the production line compared with the old sub-region mines and (iii) continuous increase in the unit costs of fuel consumed.

In 1H 2011, unit cost of EMM increased by 23.4% to HK$14,008/tonne (1H 2010: HK$11,353/tonne). This was mainly attributable to the increase in labour costs, electricity and unit costs of auxiliary materials including sulfuric acid and selenium dioxide.

Unit cost of silicomanganese alloy increased by 3.5% to HK$7,068/tonne (1H 2010: HK$6,829/tonne) mainly due to the rise in price of high-grade manganese concentrates and was consistent with the market conditions of other commodity products.

Unit cost of high carbon ferrochromium increased by 7.9% to HK$10,131/tonne (1H 2010: HK$9,393/tonne) which was in line with the increase in price of chromium and chromium products.

Gross Profit

In 1H 2011, the Group recorded a gross profit of HK$393.1 million (1H 2010: HK$256.7 million), representing an increase of HK$136.4 million or 53.2%. The Group's overall gross profit margin was 23.2%, representing an increase of 3.3% over 1H 2010's 19.9%. The improved gross profit margin was mainly attributable to an increase in gross profit by HK$113.7 million for EMM as gross profit margin for EMM increased from 23.8% to 28.4%. In addition, our expansion and upgrade of existing production capacity for our products also helped to meet higher market demand through economies of scale achieved.

Selling and Distribution Costs

The Group's selling and distribution costs in 1H 2011 have increased by 13.7% to HK$41.1 million (1H 2010: HK$36.2 million). The increase was in line with the increase in sales for 1H 2011.

Administrative Expenses

Administrative expenses increased by 30.0% to HK$120.5 million for 1H 2011 (1H 2010: HK$92.7 million). The increase was mainly attributable to increase in scale of operations.

Finance Cost

For 1H 2011, our Group's finance cost was HK$61.1 million (1H 2010: HK$42.5 million), representing an increase of 43.6%. This was the combined effect of (1) the increase in average bank loan balance to further finance the projects in PRC and Gabon and (2) increase in average interest rate as compared with 1H 2010.

Income Tax

Our tax expenses increased to HK$63.9 million for the period ended 30 June 2011 (1H 2010: HK$13.6 million) primarily due to: (1) a major PRC subsidiary provided corporate income tax at a rate of 7.5% in 1H2010, but was subsequently confirmed in 1H2011 by the tax bureau as 12.5%. In addition, the corporate income tax rate has been increased to 15% in 1H2011; and (2) provision of withholding tax in relation to the one-off bargain purchase of Hui Xing Company.

Profit Attributable to Owners of the Parent

For 1H 2011, the Group's profit attributable to owners of the parent was HK$380.0 million (1H 2010: HK$50.7 million), representing an increase of 650% over 1H 2010.

Earnings per share

For 1H 2011, earnings per share attributable to ordinary equity holders of the parent amounted to 12.56 HK cents(1H 2010: 3.44 HK cents), representing an increase of approximately 265.1% from 1H 2010.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2011.

Use of Proceeds from initial public offering ("IPO")

As at 30 June 2011, we utilized the net proceeds raised from the IPO in accordance with the uses set out in the prospectus as follows:

	Description	Amount designated in prospectus *(HK$ Million)*	Amount utilized in 1H 2011 *(HK$ Million)*	% utilized
1	Expansion project at Daxin EMD Plant	79	21	26.6%
2	Expansion project of underground mining and ore processing at Daxin Mine	278	26	9.4%
3	Expansion and construction projects of our EMM production facilities	516	138	26.7%
4	Construction project at Chongzuo Base	59	7	11.9%
5	Development of Bembélé manganese mine and associated facilities	119	99	83.2%
6	Technological improvement and renovation projects at our production facilities	40	14	35.0%
7	Acquisition of mines and mining right	397	153	38.5%
8	Repayment on a portion of our bank borrowings	297	297	100.0%
9	Working capital & other corporate purposes	198	198	100.0%
	Total	1,983	953	48.1%

Note: No proceeds have been utilized before 31 December 2010.

Liquidity and financial resources

In 1H 2011, the Group's primary sources of funding were cash generated from operating and financing activities. As at 30 June 2011, our cash position remained strong. The cash and cash equivalent was HK$2,332.0 million (31 Dec 2010: HK$2,580.7 million). The Group's aggregate borrowings amounted to HK$3,143.7 million (31 Dec 2010: HK$2,686.9 million). This was mainly attributable to our further investment in PRC and Gabon in order to expand our production capacity through acquisition of Hui Xing Company, improvements of our existing production facilities and new EMM plants.

To manage liquidity risk, the Group will continue to monitor current and expected liquidity requirements to ensure that it maintains sufficient balance of cash in the short and long term as well as facilities from banks and financial institutions.

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our floating rate debt. Our loans bearing floating interest rates are subject to adjustment by our lenders in accordance with changes in relevant PBOC regulations as well as movements in LIBOR. If the PBOC increases interest rates or LIBOR moves up, our finance cost will be increased. In addition, to the extent that we may need to raise debt financing or roll over our short-term loans in the future, upward fluctuations in interest rates will increase the cost of new debt obligations. We do not currently use any derivative instruments to modify the nature of our debt for risk management purpose.

Foreign exchange risk

In 1H 2011, the Group's operations are primarily in the PRC and products are sold to customers in PRC and various foreign countries. Our exposures to exchange rate fluctuations are currently limited to overseas sales receipts denominated in foreign currencies. We expect that our Gabon operations will commence sales transaction in third quarter 2011 and will be denominated in US$. In the meantime, we did not enter into any foreign exchange contracts or derivatives transactions to hedge against foreign exchange fluctuations. However, we make rolling forecasts on our foreign currency revenue and expense and monitor the currency and the amount incurred, so as to alleviate the impact on our business due to foreign exchange rate fluctuations.

Human Resources

As at 30 June 2011, the Group had approximately 6,267 (2010: 3,111) full-time employees in HK and the PRC following the acquisition of Hui Xing Company in May 2011. The Group offers a competitive remuneration and welfare package to its employees and will regularly review its remuneration scheme to ensure remuneration packages are market-competitive. Other benefits include comprehensive medical, life and disability insurance plans and retirement schemes are offered to the employees.

In January 2011, share options of the Company have also been granted to Directors and selected employees of the Group for rewarding and retaining talents. The Group will also provide training programmes to its eligible employees to enhance staff quality, technical knowledge and team spirit.

Outlook

Global economy prospects remain unclear as the US economy recovery is slow and the debt troubles in Europe remain unresolved. Although the prices of manganese and manganese products will fluctuate, we believe that the overall demand for manganese ore and manganese products will maintain at a steady level due to the continuing growth of Chinese economy, the massive development of the low income housing projects and water conservancy and irrigation projects.

As we are one of the world's leading and PRC's largest manganese producers, we believe that our Group will have rapid growth in the coming years. Benefited from our close relationship with CITIC Group and Guangxi Dameng, we shall have competitive advantages to further consolidate our leading position which is also fuelled by Chinese government's desire to close down outdated, small manganese production or high pollution factories. Our expansion strategy into more advanced, environmental friendly and efficient capacity, coped with the more stringent requirements of energy consumption under the 12th Five-Year Plan will further enhance our market leading position.

We shall also continue to strengthen our leading position in our market sector. Our Gabon operations will commence sales from third quarter of 2011 and will provide us an additional major source of revenue. We shall also be well-positioned to take advantage of potential acquisition opportunities in China and overseas should there be any attractive investment available.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the applicable code provisions, and also complied with recommended best practices, of the Code on Corporate Governance Practices(the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

All directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the six months ended 30 June 2011.

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 six months ended 30 June 2011.

CONTINUING CONNECTED TRANSACTIONS

On 28 October 2010, CITIC Dameng Mining Industries Co., Limited ("**CITIC Dameng Mining**") entered into a framework outsourcing agreement with Guangxi Xishan Mining Limited Company ("**Guangxi Xishan**") pursuant to which Guangxi Xishan agreed to provide underground mining services and construction of underground for underground mining works to CITIC Dameng Mining while CITIC Dameng Mining agreed to provide fuel and water and electricity to Guangxi Xishan. Details of the framework outsourcing agreement were disclosed in the section headed "Connected Transactions" in the prospectus of the Company. During the six months ended 30 June 2011, the provision of underground mining services and construction of infrastructure for underground mining works amounted to HK$12,449,000 and HK$21,837,000, respectively. The provision of water and electricity and sales of fuel amounted to HK$575,000 and HK$560,000, respectively.

Save for the related party transactions disclosed in note 15 to the financial statements and the transaction with Guangxi Xishan above, there are no other significant continuing connected transactions requiring disclosure in this announcement.

REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2011 with the management of the Company.

Our external auditor has reviewed our interim condensed consolidated financial statements for the six months ended 30 June 2011 in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity.

By Order of the Board
Qiu Yiyong
Chairman

Hong Kong, 25 August 2011

As at the date of this announcement, the executive Directors are Mr. Qiu Yiyong, Mr. Li Weijian and Mr. Tian Yuchuan; the non-executive Directors are Mr. Mi Zengxin, Mr. Yin Ke and Mr. Chen Jiqiu; and the independent non-executive Directors are Mr. Yang Zhi Jie, Mr. Mo Shijian and Mr. Tan Zhuzhong.

* *For identification purpose only*