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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

- Basic earnings per share for the year ended 31 December 2011 amounted to 13.51 HK cents, representing an increase of 3.8% as compared to 13.01 HK cents in 2010.
- Turnover amounted to HK$3,654.7 million for the year ended 31 December 2011, representing an increase of 41.7% as compared to HK$2,579.7 million in 2010.
- Gross profit amounted to HK$668.9 million for the year ended 31 December 2011, representing an increase of 9.7% as compared to HK$609.5 million in 2010.
- Profit attributable to ordinary shareholders of the parent for the year ended 31 December 2011 amounted to HK$408.6 million, representing an increase of 78.3% as compared to HK$229.1 million in 2010.
- Net gearing ratio as at 31 December 2011 increased to 33.4% (2010: 17.6%).
- Net asset value per share was HK$1.32 as at 31 December 2011 (2010: HK$1.10).

CHAIRMAN'S STATEMENT

I am delighted to take this opportunity to present to you the annual results of CITIC Dameng Holdings Limited ("**CITIC Dameng**") for the year ended 31 December 2011.

During last year, CITIC Dameng had experienced a challenging year. Although we have been battered by the US debt crisis and the Eurozone debt crisis, as well as the natural disasters, with all of our staff making their best efforts with due care and diligence and acting strictly in accordance with the plan directed by the Board of Directors, we have still achieved satisfactory operating results. The annual revenue from operations reached HK$3.65 billion, increased by 41.7% from the previous year, while profit attributable to shareholders grew by 78% from the previous year to HK$409 million. On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to all employees and the shareholders for your continued support.

Through all our hard work in the past year, we managed to further increase the market share of our products, enhance our leading position in the industry, and strengthen our overall competitiveness as well. Our achievements during the year were as follows:

Making a "breakthrough" by way of merger and acquisition

We successfully acquired Guizhou Zunyi Hui Xing Ferroalloy Limited Company ("**Hui Xing Company**"), which holds the second largest manganese carbonate mine in China. Thus, our Company's manganese mineral resources increased by 22.3 million tonnes, and our manganese mineral resources accounted for approximately 33% of China's total proven reserve, representing an increase from approximately 22% from the previous year.

Our Company also obtained a gain on bargain purchase of HK$262 million upon acquisition of Hui Xing Company. In addition, with the full support of the local government, we planned to relocate our existing production plants in the designated future central business district to the low carbon-oriented Goujiang Economic and Technological Development Zone in Zunyi city. We had applied to change the land use of our existing plants covering 1,800 mu land to commercial use. It is expected that the development of such land will bring shareholders significant economic return.

Further secure the supply of raw materials

During the year, our Company acquired Hui Xing Company and Guangxi Sanmenglong Mining Limited Company, which had given a significant increase to our manganese mineral resources. We commenced the expansion works of the existing mine of Hui Xing Company within a relatively short period of time. Meanwhile, we commenced the infrastructure design of the new mining blocks. It is expected that the annual ore production of such mine in the coming year will increase to 300,000 tonnes from the current 120,600 tonnes. By 2015, when the new mining blocks commence operation, the annual mining capacity will reach 600,000 tonnes.

During the year, the mining and ore processing construction work in Bembélé Manganese Mine had been completed, and it had produced 340,100 tonnes of manganese ore concentrates. The principal part of construction of the road connecting the mine and Ndjole City and the transfer station of Ndjole City have been completed. In July 2011, we entered into a framework agreement on railway transportation with SETRAG, the railway operation bureau in Gabon, so as to secure the railway transportation after the full operation of the Bembélé Manganese Mine. It is expected that the annual production capacity of Bembélé Manganese Mine will reach 500,000 tonnes of ore concentrates in 2012.

While pushing forward the construction of the aforesaid mines, we will be able to strengthen our ability to secure the supply of raw materials for our downstream processing business.

Improving Research and Innovation Capability and Strengthening "Soft Power" of the Company

We have made progress in research and development on new power materials of lithium manganite grade EMD. Technologies of related critical material were honored by the government of Guangxi Zhuang Autonomous Region and the pilot trials have been completed. Also, the technology on manganese carbonate all dry beneficiation has been implemented in actual production. CITIC Dameng was designated as one of the key development projects on manganese downstream processing under the "Principals of Twelfth Five-Year Plan" of Guangxi Zhuang Autonomous Region, and has become one of the top 10 innovated enterprises in Guangxi.

Outlook

2012 will be another challenging year, as the world economic situation will become more severe and complex due to the increasing instability and uncertainty in the global economy. However, with industrialization, urbanization and modernization being progressed at a faster pace in China, the continued and stable economic growth will stimulate the development in manganese industry and provide a lot of development opportunities for manganese ore and manganese products in the long run.

Leveraging on our strengths in abundant manganese resources and our core competitiveness, we believe that CITIC Dameng will benefit from the economic growth of China and the world. Accordingly, the Company's leadership in the industry will be further improved which will enable us to bring long term and stable benefits to our shareholders.

Consolidated Statement of Comprehensive Income
Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	4	**3,654,690**	2,579,673
Cost of sales		**(2,985,827)**	(1,970,178)
Gross profit		**668,863**	609,495
Other income and gains	4	**83,590**	65,505
Gain on bargain purchase from the acquisition of subsidiaries		**262,775**	–
Selling and distribution costs		**(90,424)**	(77,956)
Administrative expenses		**(306,730)**	(219,128)
Share option expense		**(61,987)**	–
Other expenses		**(51,213)**	(19,411)
Finance costs	5	**(127,823)**	(95,716)
PROFIT BEFORE TAX	6	**377,051**	262,789
Income tax expense	7	**(30,751)**	(14,339)
PROFIT FOR THE YEAR		**346,300**	248,450
OTHER COMPREHENSIVE INCOME:			
Contribution from a minority shareholder upon waiver of loans		**–**	13,128
Exchange differences on translation of foreign operations		**150,528**	43,223
		150,528	56,351
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**496,828**	304,801
Total profit/(loss) attributable to:			
Owners of the parent		**408,572**	229,132
Non-controlling interests		**(62,272)**	19,318
		346,300	248,450
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**554,803**	269,949
Non-controlling interests		**(57,975)**	34,852
		496,828	304,801
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**13.51 HK cents**	13.01 HK cents
Diluted		**13.51 HK cents**	13.01 HK cents

Details of the dividends proposed for the year are disclosed in note 9 to the financial statements.

Consolidated Statement of Financial Position
31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,958,709**	2,145,238
Investment properties		**85,116**	62,612
Prepaid land lease payments		**491,104**	164,886
Intangible assets		**878,732**	300,759
Available-for-sale equity investment		**4,582**	4,369
Deferred tax assets		**131,545**	79,929
Deposits and prepayments	*11*	**203,985**	129,362
Total non-current assets		**4,753,773**	2,887,155
CURRENT ASSETS			
Inventories		**810,509**	449,995
Trade and notes receivables	*10*	**948,573**	603,934
Prepayments, deposits and other receivables	*11*	**370,809**	187,842
Due from related companies		**16,701**	53,739
Tax recoverable		**–**	730
Pledged deposits		**97,932**	71,543
Cash and cash equivalents		**1,898,434**	2,580,741
Total current assets		**4,142,958**	3,948,524
CURRENT LIABILITIES			
Trade payables	*12*	**318,101**	240,223
Other payables and accruals	*13*	**564,839**	446,694
Interest-bearing bank and other borrowings	*14*	**1,791,153**	1,172,735
Due to related companies		**14,350**	3,515
Tax payable		**5,979**	–
Total current liabilities		**2,694,422**	1,863,167
NET CURRENT ASSETS		**1,448,536**	2,085,357
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,202,309**	4,972,512

	Notes	**2011**	2010
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*14*	**1,499,189**	1,514,156
Deferred tax liabilities		**211,220**	16,973
Other long-term liabilities		**3,954**	3,700
Deferred income		**110,099**	35,684
Total non-current liabilities		**1,824,462**	1,570,513
Net assets		**4,377,847**	3,401,999
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*15*	**302,480**	302,480
Reserves		**3,649,880**	3,029,475
Proposed final dividend		**30,248**	–
		3,982,608	3,331,955
Non-controlling interests		**395,239**	70,044
Total equity		**4,377,847**	3,401,999

1. CORPORATE 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 Suites 3501-3502, Bank of America Tower, 12 Harcourt Road, 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 manganese mining, ore processing and downstream processing operations in Mainland China. The Group is also developing manganese mining and ore operations in Gabon.

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, 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, 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.

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2011. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendment to HK(IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	*Amendments to a number of HKFRSs issued in May 2010*

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The revised standard has no financial impact on the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments*: *Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 7 Amendments require an entity to disclose both quantitative and qualitative information for the derecognition of financial assets where the entity has a continuing involvement in the derecognised assets. The Group expects to adopt HKFRS 7 Amendments from 1 January 2012. As the Group does not have continuing involvement in the derecognised assets, the amendments will not have any financial impact on the Group.

HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013. The adoption of the amendments is unlikely to have any material financial impact on the Group.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12. The adoption of this new standard is unlikely to have any material financial impact on the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The adoption of this new standard is unlikely to have any material financial impact on the Group.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012. The Group is in the process of assessing the impact from application of these amendments.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements. The Group expects to adopt the amendments from 1 January 2014. The application of these amendments is unlikely to have any material financial impact on the Group.

HK(IFRIC)-Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with HKAS 2 *Inventories*. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The Group expects to adopt the interpretation from 1 January 2013. The adoption of the interpretation is unlikely to have any material financial impact on the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised 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;

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

(c) the non-manganese ferroalloy processing segment engages 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 the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit 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, an available-for-sale equity investment 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 *HK$'000*	Manganese downstream processing *HK$'000*	Non-manganese ferroalloy processing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 December 2011					
Segment revenue:					
Sales to external customers	**231,421**	**2,865,451**	**191,582**	**366,236**	**3,654,690**
Intersegment sales	**107,708**	**–**	**–**	**17,105**	**124,813**
Other revenue	**2,428**	**8,836**	**55**	**43,591**	**54,910**
	341,557	**2,874,287**	**191,637**	**426,932**	**3,834,413**
Reconciliation:					
Elimination of intersegment sales					**(124,813)**
Revenue from operations					**3,709,600**
Segment results	**25,561**	**352,811**	**(13,985)**	**1,034**	**365,421**
Reconciliation:					
Interest income					**28,680**
Gain on bargain purchase					**262,775**
Corporate and other unallocated expenses					**(152,002)**
Finance costs					**(127,823)**
Profit before tax					**377,051**
Income tax expense					**(30,751)**
Profit for the year					**346,300**
Assets and liabilities					
Segment assets	**1,284,928**	**4,722,400**	**150,861**	**603,831**	**6,762,020**
Reconciliation:					
Corporate and other unallocated assets					**2,134,711**
Total assets					**8,896,731**
Segment liabilities	**612,996**	**837,223**	**12,205**	**76,352**	**1,538,776**
Reconciliation:					
Corporate and other unallocated liabilities					**2,980,108**
Total liabilities					**4,518,884**
Other segment information:					
Depreciation and amortisation	**50,178**	**156,396**	**6,887**	**35,294**	**248,755**
Unallocated depreciation and amortisation					**4,318**
Total depreciation and amortisation					**253,073**
Capital expenditure*	**214,347**	**495,599**	**18,633**	**60,256**	**788,835**
Unallocated capital expenditure					**22,406**
Total capital expenditure					**811,241**
Gain/(loss) on disposal of items of property, plant and equipment	**(1,058)**	**2,682**	**–**	**–**	**1,624**
Impairment losses recognised in profit or loss	**8,939**	**19,009**	**9,179**	**17,133**	**54,260**

	Manganese mining and ore processing *HK$'000*	Manganese downstream processing *HK$'000*	Non-manganese ferroalloy processing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 December 2010					
Segment revenue:					
Sales to external customers	286,708	1,951,265	232,228	109,472	2,579,673
Intersegment sales	110,813	–	–	110	110,923
Other revenue	1,664	4,634	3,264	49,233	58,795
	399,185	1,955,899	235,492	158,815	2,749,391
Reconciliation:					
Elimination of intersegment sales					(110,923)
Revenue from operations					2,638,468
Segment results	132,773	276,871	(15,145)	38,772	433,271
Reconciliation:					
Interest income					6,710
Corporate and other unallocated expenses					(81,476)
Finance costs					(95,716)
Profit before tax					262,789
Income tax expense					(14,339)
Profit for the year					248,450
Assets and liabilities					
Segment assets	949,095	2,689,698	209,799	360,489	4,209,081
Reconciliation:					
Corporate and other unallocated assets					2,626,598
Total assets					6,835,679
Segment liabilities	372,199	535,755	66,865	42,546	1,017,365
Reconciliation:					
Corporate and other unallocated liabilities					2,416,315
Total liabilities					3,433,680
Other segment information:					
Depreciation and amortisation	33,288	112,568	7,825	15,776	169,457
Unallocated depreciation and amortisation					1,711
Total depreciation and amortisation					171,168
Capital expenditure*	140,512	487,725	2,467	202	630,906
Unallocated capital expenditure					136,793
Total capital expenditure					767,699
Loss on disposal of items of property, plant and equipment	515	822	–	–	1,337
Impairment losses recognised in profit or loss	1,910	3,903	4,203	(7,473)	2,543

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets.

Geographical information

(a) ***Revenue from external customers***

	2011 *HK$'000*	2010 *HK$'000*
Mainland China	**3,241,879**	2,151,371
Asia (excluding Mainland China)	**373,905**	379,181
Europe	**10,488**	13,354
North America	**19,116**	27,684
Other countries	**9,302**	8,083
	3,654,690	2,579,673

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

(b) ***Non-current assets***

	2011 *HK$'000*	2010 *HK$'000*
Segment assets:		
Mainland China	**4,100,854**	2,440,571
Africa	**516,792**	362,286
	4,617,646	2,802,857

The non-current asset information above is based on the location of assets and excludes deferred tax assets and an available-for-sale equity investment.

Information about a major customer

Revenue of approximately HK$350 million for the year ended 31 December 2011 (2010: HK$282 million) was derived from sales by the manganese downstream processing segment to a single customer.

4. 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 year.

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

	2011 *HK$'000*	2010 *HK$'000*
Revenue		
Sale of goods	**3,654,690**	2,579,673
Other income and gains		
Interest income	**28,680**	6,710
Gain on disposal of items of property, plant and equipment	**1,624**	2,836
Subsidy income	**12,714**	9,754
Write-off of payables	**19**	4,811
Sale of scrap and raw materials	**19,015**	11,624
Dividend from unlisted investment	**2,646**	–
Fair value gains on investment properties	**18,212**	27,507
Others	**680**	2,263
	83,590	65,505

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**130,338**	104,635
Interest on bank loans and other loans not wholly repayable within five years	**–**	4,016
Finance costs for discounted notes receivable	**2,538**	1,288
Less: Interest capitalised	**(5,053)**	(14,223)
	127,823	95,716

6. PROFIT BEFORE TAX

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

	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold	**2,532,307**	1,947,588
Depreciation	**227,183**	158,744
Amortisation of prepaid land lease payments	**8,979**	6,172
Amortisation of intangible assets	**16,911**	6,252
Auditors' remuneration	**4,107**	3,180
Minimum lease payments under operating leases, land and buildings	**11,607**	6,376
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**258,251**	201,389
Equity-settled share option expense	**61,987**	–
Pension scheme contributions	**61,737**	36,541
	381,975	237,930
(Gain)/loss on disposal of items of property, plant and equipment*	**(1,624)**	1,337
Foreign exchange differences, net*	**2,632**	1,158
Write-down/(write-back)of inventories to net realisable value, net#	**39,360**	(1,010)
Impairment of trade and other receivables, net*	**10,915**	3,553
Impairment of property, plant and equipment*	**3,985**	–
Changes in fair value of investment properties	**(18,212)**	(27,507)
Gain on bargain purchase from the acquisition of subsidiaries^	**(262,775)**	–

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

* Included in "Other expenses" in the consolidated statement of comprehensive income.

^ Gain on bargain purchase from the acquisition of subsidiaries is included in the consolidated statement of comprehensive income.

7. 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.

	2011	2010
	HK$'000	*HK$'000*
Group:		
Current – PRC		
Charge for the year	**62,337**	34,004
Deferred	**(31,586)**	(19,665)
Total tax charge for the year	**30,751**	14,339

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

PRC corporate income tax ("CIT")

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatment available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income for the years ended 31 December 2010 and 2011. The other major tax concessions applicable to the entities within the Group are detailed as follows:

(a) CITIC Dameng Mining is recognised as a High and New Technology Enterprise and is entitled to a preferential CIT rate of 15%.

(b) Pursuant to Dishui Han [2007] No. 841 "Approval on CIT Exemption of Guangxi Dabao" issued by the local tax authority of Chongzuo City, Guangxi, the PRC, Guangxi Dabao is entitled to a preferential tax treatment for engaging in an encouraged industry and its applicable CIT rate was 15% for the period from 1 January 2007 to 31 December 2010. During the year 2011, no additional tax preferential policy was granted, and the applicable CIT rate of Guangxi Dabao was 25%.

(c) Pursuant to the tax document Dishui Han [2005] No. 3 "Approval on CIT Exemption of Guangxi Start" issued by the local tax authority of Jingxi County, Guangxi, the PRC, Guangxi Start was entitled to a preferential tax treatment for developing Western China and its applicable CIT rate was 15% for the period from 1 January 2005 to 31 December 2010. During the year 2011, no additional tax preferential policy was granted, and hence the applicable CIT rate of Guangxi Start was 25%.

A reconciliation of the income tax charge applicable to profit before tax using the statutory rate for the country in which the Company and the majority of its subsidiaries are principally domiciled to the income tax charge at the effective tax rate is as follows:

Group

	2011	2010
	HK$'000	*HK$'000*
Profit before tax	**377,051**	262,789
Tax at the applicable PRC corporate income tax rate	**94,263**	65,697
Lower tax rates/tax holidays or concessions for specific provinces	**(29,912)**	(65,991)
Income not subject to tax	**(68,728)**	(472)
Expenses not deductible for tax	**8,831**	3,877
Effect of withholding tax at 10% on undistributed profits of the Group's PRC subsidiaries	**13,494**	10,503
Tax losses utilised from previous periods	**–**	(702)
Tax losses not recognised	**12,803**	1,427
Tax charge reported in the consolidated statement of comprehensive income	**30,751**	14,339
The Group's effective income tax rate	**8.2%**	5.5%

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,024,795,000 (2010: 1,760,973,329) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented for the year ended 31 December 2011 and the Group had no potentially dilutive ordinary share in issue during the year ended 31 December 2010.

The calculation of basic earnings per share is based on:

	2011	2010
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**408,572**	229,132

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,024,795,000**	1,760,973,329

9. DIVIDENDS

Dividends amounting to HK$507,974,000 for the year ended 31 December 2010 was declared by the Company to its shareholders before the reorganisation as detailed in the Prospectus. As at 31 December 2010, all dividend payable had been fully settled.

Pursuant to the board of directors' meeting held on 1 March 2012, the directors recommended a final dividend of HK1.0 cent per ordinary share. The proposed dividends are not reflected as a dividend payable in these financial statements.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. TRADE AND NOTES RECEIVABLES

Group

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**429,275**	264,044
Notes receivable	**534,304**	344,711
	963,579	608,755
Less: Impairment	**(15,006)**	(4,821)
	948,573	603,934

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes receivable represent bank acceptance notes issued by banks in Mainland China which are secured and paid by the banks when due.

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

Group

	2011	2010
	HK$'000	*HK$'000*
Within one month	**399,975**	386,822
One to two months	**252,942**	84,704
Two to three months	**114,816**	29,346
Over three months	**180,840**	103,062
	948,573	603,934

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

Group

	2011	2010
	HK$'000	*HK$'000*
At beginning of year	**4,821**	5,874
Acquisition of a subsidiary	**682**	–
Impairment losses recognised	**9,171**	471
Write-off	**(142)**	(1,704)
Exchange realignment	**474**	180
At end of year	**15,006**	4,821

Included in the above provision for impairment of trade and notes receivables are provisions for individually impaired trade receivables of HK$15,006,000 (2010: HK$4,821,000) with a carrying amount before provision of approximately HK$15,006,000 (2010: HK$4,821,000) as at 31 December 2011. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of these receivables is expected to be recovered.

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

Group

	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**767,733**	592,404
One to three months past due	**154,802**	7,873
Over three months past due	**26,038**	3,657
	948,573	603,934

Receivables that were neither past due nor impaired relate to a large number of diversified customers in respect of whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Non-current portion

Group

	2011	2010
	HK$'000	*HK$'000*
Deposits	**154,930**	124,302
Prepayment	**49,055**	5,060
	203,985	129,362

Current portion

Group

	2011	2010
	HK$'000	*HK$'000*
Prepayments	**83,373**	97,629
Deposits and other receivables	**164,046**	90,213
Loans to a third party	**123,390**	–
	370,809	187,842

Loans to a third party bear interest at 7.15% per annum and are due on 12 April 2012.

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:

Group

	2011	2010
	HK$'000	*HK$'000*
Within one month	**192,842**	152,182
One to two months	**41,816**	13,086
Two to three months	**33,337**	17,017
Over three months	**50,106**	57,938
	318,101	240,223

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

13. OTHER PAYABLES AND ACCRUALS

Group

	2011	2010
	HK$'000	*HK$'000*
Advances from customers	**66,221**	98,773
Other payables	**378,156**	207,785
Accruals	**120,462**	140,136
	564,839	446,694

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

		2011			2010	
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Bank loans – secured	**5.81-6.06**	**2012**	**37,017**	4.78	2011	35,295
Bank loans – unsecured	**4.70-6.89**	**2012**	**1,016,196**	4.78-5.56	2011	516,484
Current portion of long-term bank loans – secured	**5.96**	**2012**	**119,688**	6.53	2011	41,177
Current portion of long-term bank loans – unsecured	**4.86-5.96, LIBOR+0.85**	**2012**	**618,252**	4.86-5.40	2011	188,240
Long-term bank loans with a repayment on demand clause – unsecured *(Note (a))*	**–**	**–**	**–**	LIBOR+0.85	On demand	273,889
Other loans – unsecured	**–**	**–**	**–**	4.70	2011	117,650
			1,791,153			1,172,735
Non-current						
Bank loans – secured	**5.27-6.14**	**2013 - 2015**	**139,431**	5.40-5.94	2012 - 2015	248,242
Bank loans – unsecured	**4.86-7.25**	**2013 - 2016**	**1,359,758**	4.86-5.76	2012 - 2016	1,265,914
			1,499,189			1,514,156
			3,290,342			2,686,891

	2011	2010
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand *(Note(a))*	**1,791,153**	1,055,085
In the second year	**797,099**	480,012
In the third to fifth years, inclusive	**702,090**	897,670
Beyond five years	**–**	136,474
	3,290,342	2,569,241
Other loans repayable:		
Within one year or on demand	**–**	117,650
	3,290,342	2,686,891

Notes:

(a) Due to the adoption of HK Interpretation 5 in the year 2010, the Group's term loan in the amount of HK$273,889,000 containing a repayment on-demand clause had been reclassified as a current liability as at 31 December 2010. For the purpose of the above analysis, the loan was included within current interest-bearing bank and other borrowings and analysed into bank loans repayable within one year or on demand in the year 2010. Based on the terms of the loan, the whole amount of the loan is repayable in the year 2012 and therefore recognised in the current portion of long term bank loans as at 31 December 2011.

(b) The above secured bank loans were secured by certain of the Group's assets and their carrying values are as follows:

	2011	2010
	HK$'000	*HK$'000*
Property, plant and equipment	**239,514**	221,961
Prepaid land lease payments	**45,994**	48,155
Pledged deposits	**88,292**	61,425
	373,800	331,541

(c) Except for unsecured bank loan of HK$420,290,000 (2010: HK$273,889,000) which is denominated in United States dollars, all borrowings were in Renminbi as at 31 December 2011.

15. ISSUED CAPITAL

Shares

	2011	2010
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (2010: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,024,795,000 (2010: 3,024,795,000) ordinary shares of HK$0.10 each	**302,480**	302,480

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overview

For 2011, the net profit attributable to owners of the parent is HK$408.6 million (2010: HK$229.1 million), or an increase of 78.3% as compared with last year.

Nonetheless, continuing turbulence in the global economy hit the market sentiment rapidly in the second half (especially in the fourth quarter) of 2011, and put significant downward pressures on our product selling prices. As a result, the profit attributable to owners of the parent for the year ended 31 December 2011 was hardly hit in the second half of the year which is comparatively much worse than the second half of the year 2010. These were mainly attributable to (i) the option expenses relating to share options granted by the Company in January 2011, which amounted to HK$62.0 million for the year 2011 and (ii) the prices of our products slide after continuous tightening of liquidity and other austerity measures in PRC in the fourth quarter of 2011 while raw material prices increased significantly over last year.

Despite above, the Group still recorded a substantial increase in the profit attributable to owners of the parent for the year ended 31 December 2011 as compared to 2010 which was mainly attributable to the gain on bargain purchase upon completion of acquisition of Hui Xing Company in May 2011.

Comparison with the 2010

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

	Year ended December 31							
	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	**172,015**	**732**	**125,984**	**3.4**	156,382	589	92,063	3.6
Natural discharging manganese powder and sand	**34,535**	**3,053**	**105,437**	**2.9**	93,933	2,072	194,645	7.6
Sub-Total	**206,550**	**1,120**	**231,421**	**6.3**	250,315	1,145	286,708	11.2
Manganese downstream processing								
EMM	**101,930**	**19,246**	**1,961,788**	**53.7**	94,608	15,786	1,493,520	57.9
Silicomanganese alloy	**63,838**	**8,325**	**531,461**	**14.5**	39,088	7,344	287,060	11.1
EMD	**15,993**	**10,038**	**160,539**	**4.4**	9,547	9,314	88,921	3.5
Manganese sulfate	**20,304**	**3,948**	**80,153**	**2.2**	20,920	3,490	73,019	2.8
Ferromanganese	**12,668**	**8,303**	**105,188**	**2.9**	1,134	7,712	8,745	0.3
Manganese tetroxide	**1,596**	**16,294**	**26,006**	**0.7**	–	–	–	–
Others	**9**	**35,111**	**316**	**0.0**	–	–	–	–
Sub-Total	**216,338**	**13,245**	**2,865,451**	**78.4**	165,297	11,805	1,951,265	75.6
Non-manganese ferroalloy processing								
High carbon ferrochromium	**13,416**	**10,109**	**135,620**	**3.7**	23,523	9,872	232,228	9.0
Lithium cobalt oxide	**245**	**228,416**	**55,962**	**1.5**	–	–	–	–
Sub-Total	**13,661**	**14,024**	**191,582**	**5.2**	23,523	9,872	232,228	9.0
Other business								
Trading	**28,637**	**12,789**	**366,236**	**10.1**	15,454	7,084	109,472	4.2
Total	**465,186**	**7,856**	**3,654,690**	**100.0**	454,589	5,675	2,579,673	100.0

Revenue

In 2011, the Group's revenue topped HK$3,654.7 million (2010: HK$2,579.7 million), representing an increase of 41.7% compared with 2010. Major reasons are: (1) Hui Xing Company and Sanmenglong were acquired in May 2011 and July 2011 respectively and their revenue were consolidated from the respective dates of acquisition; (2) Strong market demand particularly in the first half of 2011 pushed up both selling prices and sales volume for most of our downstream products, especially EMM and (3) increases in trading sales in 2011.

Manganese mining and ore processing – Performance of manganese mining and ore processing segment was less satisfactory in 2011 compared with 2010. Revenue decreased by 19.3% to HK$231.4 million (2010: HK$286.7 million). Sales volume from this segment dropped by 17.5% to 206,550 tonnes (2010: 250,315 tonnes) despite the respective increases in average selling prices of the two products of this segment. Major reasons of the drop in overall sales revenue and sales volume are (i) the shift of volume mix to the lower average selling price manganese concentrate; and (ii) More ore was utilised ourselves to match with the increase in the production of EMM and hence the direct sales of ore to third parties dropped.

Manganese downstream processing – In 2011, average EMM price rose to HK$19,246/tonne (2010: HK$15,786/tonne), representing an increase of 21.9%. EMM sales volume also increased by 7.7% to 101,930 tonnes (2010: 94,608 tonnes). However, as a percentage of total sales, EMM accounted for 53.7% (2010: 57.9%) of our total sales as we acquired Hui Xing Company in May 2011 which was engaged in silicomanganese and ferromanganese production. Furthermore, increase in trading sales also further diluted EMM's percentage share.

Sales volume of EMD for 2011 soared by 67.5% to 15,993 tonnes (2010: 9,547 tonnes) due to commencement of production of Daxin's second EMD production line of 10,000 tonnes in September 2010. Average selling price increased by 7.7% to HK$10,038/tonne (2010: HK$9,314/tonne).

For 2011, sales volume of silicomanganese increased by 63.3% to 63,838 tonnes (2010: 39,088 tonnes) primarily as a result of consolidating Hui Xing Company with effect from June 2011. Also, Qinzhou New Materials switched to produce silicomanganese alloy from high carbon ferrochromium in September 2011 and contributed to sales volume of 2,192 tonnes. Nevertheless, market demand for silicomanganese alloy remained weak due to intense competition. Average selling price of silicomanganese alloy increased by 13.4% to HK$8,325/tonne (2010: HK$7,344/tonne), and the increase was in line with other commodity price increase, and was mainly due to the increase in the unit cost of raw materials.

Non-manganese ferroalloy processing – Continuous weak demand of high carbon ferrochromium led to the further drop in sales volume by 43.0% to 13,416 tonnes (2010: 23,523 tonnes) despite mild increase in the average selling prices of 2.4% to HK$10,109/tonne (2010: HK$9,872/tonne) due only to the appreciation of RMB against HKD. In addition, our Qinzhou ferroalloy plant stopped producing high carbon ferrochromium and shifted to producing silicomanganese alloy starting from October 2011.

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

	Year ended December 31							
	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	**59,597**	**346**	**66,387**	**52.7**	23,713	152	68,350	74.2
Natural discharging manganese powder and sand	**27,588**	**799**	**77,849**	**73.8**	65,446	697	129,199	66.4
Sub-Total	**87,185**	**422**	**144,236**	**62.3**	89,159	356	197,549	68.9
Manganese downstream processing								
EMM	**1,474,332**	**14,464**	**487,456**	**24.8**	1,143,543	12,087	349,977	23.4
Silicomanganese alloy	**539,536**	**8,452**	**(8,075)**	**(1.5)**	263,160	6,733	23,900	8.3
EMD	**117,520**	**7,348**	**43,019**	**26.8**	74,045	7,756	14,876	16.7
Manganese sulfate	**66,208**	**3,261**	**13,945**	**17.4**	61,975	2,962	11,044	15.1
Ferromanganese	**110,356**	**8,711**	**(5,168)**	**(4.9)**	12,240	10,794	(3,495)	(40.0)
Manganese tetroxide	**26,191**	**16,410**	**(185)**	**(0.7)**	–	–	–	–
Others	**283**	**31,444**	**33**	**10.4**	–	–	–	–
Sub-Total	**2,334,426**	**10,791**	**531,025**	**18.5**	1,554,963	9,407	396,302	20.3
Non-manganese ferroalloy processing								
High carbon ferrochromium	**140,239**	**10,453**	**(4,619)**	**(3.4)**	228,686	9,722	3,542	1.5
Lithium cobalt oxide	**51,319**	**209,465**	**4,643**	**8.3**	–	–	–	–
Sub-Total	**191,558**	**14,022**	**24**	**0.0**	228,686	9,722	3,542	1.5
Other business								
Trading	**372,658**	**13,013**	**(6,422)**	**(1.8)**	97,370	6,301	12,102	11.1
Total	**2,985,827**		**668,863**	**18.3**	1,970,178		609,495	23.6

Cost of Sales

Cost of sales increased by HK$1,015.6 million or 51.5% to HK$2,985.8 million in 2011, as compared to HK$1,970.2 million in 2010. The increase was primarily due to: (1) general increase in sales volume of major products; (2) consolidation of Hui Xing Company and Sanmenglong since their respective dates of acquisition in May 2011 and July 2011; (3) increase in the unit cost of direct materials and other auxiliary materials; and (4) purchases directly for trading.

The unit cost of manganese mining and ore processing segment during 2011 increased by 18.5% to HK$422/tonne (2010: HK$356/tonne). This increase was mainly attributable to (i) continuous increase in the unit costs of fuel and explosives consumed; (ii) lower production efficiency in Luli and Dongmeng sub-regions of Tiandeng Mine mining operations which commenced production in early 2011 with higher transportation cost as the location was farther away from the production line compared with the old sub-regions; and (iii) higher unit cost of the newly acquired Hui Xing Company due to different geological structure.

In 2011, unit cost of EMM increased by 19.7% to HK$14,464/tonne (2010: HK$12,087/tonne). This was mainly attributable to the increase in unit costs of auxiliary materials including sulfuric acid and selenium dioxide, labour costs and electricity. In addition, power supply constraint in the fourth quarter of 2011 also dampened our EMM production volume and hence further raised our EMM unit cost.

Unit cost of silicomanganese alloy increased by 25.5% to HK$8,452/tonne (2010: HK$6,733/tonne) mainly due to (1) rise in price of high-grade manganese concentrates in line with the market conditions of other commodities; and (2) higher average unit cost of Hui Xing Company's imported ores than our existing plants.

Unit cost of high carbon ferrochromium increased by 7.5% to HK$10,453/tonne (2010: HK$9,722/tonne) which was in line with the increase in price of chromium ores.

Gross Profit

In 2011, the Group recorded a gross profit of HK$668.9 million (2010: HK$609.5 million), representing an increase of HK$59.4 million or 9.7%. The Group's overall gross profit margin was 18.3%, representing a decrease of 5.3% from 23.6% of 2010. The deteriorated overall gross profit margin was mainly attributable to (i) lower profit margin of products of the newly-acquired Hui Xing Company; and (2) increase in sales from trading segment, which used to be of comparatively much lower margin.

Gain on Bargain Purchase

Gain on bargain purchase represents the gain recorded upon acquisition.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 2011 have increased by 15.9% to HK$90.4 million (2010: HK$78.0 million). The increase was in line with the increase in revenue.

Administrative Expenses

Administrative expenses increased by 40.0% to HK$306.7 million for 2011 (2010: HK$219.1 million). The increase was mainly attributable to (1) increase in scale of operations; and (2) additional entities post acquisition.

Finance Cost

For 2011, our Group's finance cost was HK$127.8 million (2010: HK$95.7 million), representing an increase of 33.5%. This was the combined effect of (1) the increase in average bank loan balance to further invest in the projects in the PRC and Gabon; and (2) increase in average interest rate.

Income Tax

Our tax expense increased to HK$30.8 million for the year ended 31 December 2011 (2010: HK$14.3 million) due primarily to the increase in corporate income tax rate of a major PRC subsidiary from 7.5% in 2010 to 15% in 2011.

Profit Attributable to Owners of the Parent

For 2011, the Group's profit attributable to owners of the parent was HK$408.6 million (2010: HK$229.1 million), representing an increase of 78.3% over 2010.

Earnings per share

For 2011, earnings per share attributable to ordinary equity holders of the Company amounted to 13.51 HK cents (2010: 13.01 HK cents), representing an increase of approximately 3.8% from 2010.

Final Dividend

The Board of Directors proposed payment of dividends of HK1.0 cent per share (2010: Nil) for the year ended 31 December 2011.

Use of Proceeds from IPO

As at 31 December 2011, we utilised 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 utilised in 2011** *(HK$ Million)*	**% utilised**
1	Expansion project at Daxin EMD Plant	79	33	41.5%
2	Expansion project of underground mining and ore processing at Daxin Mine	278	64	22.9%
3	Expansion and construction projects of our EMM production facilities	516	185	35.9%
4	Construction project at Chongzuo Base	59	8	13.3%
5	Development of Bembélé manganese mine and associated facilities	119	119	100.0%
6	Technological improvement and renovation projects at our production facilities	40	40	100.0%
7	Acquisition of mines and mining right	397	271	68.4%
8	Repayment on a portion of our bank borrowings	297	297	100.0%
9	Working capital and other corporate purposes	198	198	100.0%
	Total	1,983	1,215	61.3%

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

Liquidity and financial resources

As at 31 December 2011, our cash and bank balance was HK$1,898.4 million (2010: HK$2,580.7 million) while the Group's aggregate borrowings amounted to HK$3,290.3 million (2010: HK$2,686.9 million). The Group's net debt increased to HK$1,391.9 million (2010: HK$106.2 million) and was attributable to: (i) our capital expenditure including improvements of our existing production facilities and new EMM plants in the PRC and mine development in Gabon during the year; and (ii) acquisition of Hui Xing Company and Sanmenglong.

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 terms as well as facilities from banks and financial institutions.

At the same time, equity attributable to owners of the parent surged to HK$3,982.6 million (2010: HK$3,332.0 million) while total assets increased to HK$8,896.7 million (2010: HK$6,835.7 million).

Bank and other Borrowings

As at 31 December 2011, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	**2011**	2010
	HK$ million	*HK$ million*
Secured borrowings	**296.1**	324.7
Unsecured borrowings	**2,994.2**	2,362.2
	3,290.3	2,686.9

Maturity profile	**2011**	2010
	HK$ million	*HK$ million*
Repayable:		
On demand or within one year	**1,791.1**	1,172.7
After one year and within two years	**797.1**	480.0
After two years and within five years	**702.1**	897.7
After five years	**–**	136.5
	3,290.3	2,686.9

Currency denomination	**2011**	2010
	HK$ million	*HK$ million*
Denominated in:		
RMB	**2,870.0**	2,413.0
USD	**420.3**	273.9
	3,290.3	2,686.9

As at 31 December 2011, borrowings as to the amounts of HK$351.7 million (2010: HK$375.3 million) and HK$2,938.6 million (2010: HK$2,311.6 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 5.81% to 6.56%. The floating rate borrowings carry interest at a discount of 5% to 10% below the Benchmark Borrowing Rates of the People's Bank of China, except the USD loan which carries interest at a rate of LIBOR+0.85%.

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 published interest rate changes in PBOC as well as movements in LIBOR. If the PBOC increases interest rates or LIBOR moves up, our finance cost will increase. In addition, to the extent that we may need to raise debt financing or roll over our short-term loans in the future, any upward fluctuations in interest rates will increase the cost of new debt obligations. We do not currently use any derivative instruments to modify the nature of our debt for risk management purpose.

Foreign exchange risk

In 2011, the Group's operations are primarily in the PRC and Gabon. Our products are sold to customers in the PRC and to a much less extent to some other countries. Our major exposures to exchange rate fluctuations are only limited to export sales denominated in US dollars and certain XAF denominated costs incurred locally in Gabon. XAF is currently pegged to Euros. Our Gabon operations have not yet commenced any sales in 2011, and we expect that any sales from it will be denominated in US dollars or RMB. We have not entered into any foreign exchange contract or derivative transactions to hedge against foreign exchange fluctuations. However, we prepare rolling forecasts of our foreign currency revenue and expense and monitor the currency and the amount incurred, so as to control the impact on our business due to foreign exchange rate fluctuations.

Key Financial Ratios of the Group

	2011	2010
Current ratio	**1.5**	2.1
Quick ratio	**1.2**	1.9
Net gearing ratio	**33.4%**	17.6%

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 the sum of total equity (including non-controlling interests) and net debt. Net debt is defined as the sum of interest-bearing bank and other borrowings, trade payables, other payables and accruals and amounts due to related companies less cash and bank balances and pledged deposits

Business Review

Resources and reserves

Below is the information on our mineral resources and ore reserves in accordance with JORC Code as of 31 December 2011:

Summary of our manganese mineral resources

Mining Block	Ownership Percentage	JORC Resource Category	Million tonnes	Average Manganese Grade (%)	Million tonnes	Average Manganese Grade (%)
			31.12.2011		31.12.2010	
Daxin Mine	100%	Measured	**6.58**	**24.37**	7.20	24.24
		Indicated	**69.09**	**21.12**	69.60	21.11
		Subtotal	**75.67**	**21.40**	76.80	21.42
		Inferred	**0.43**	**21.23**	0.43	21.23
		Total	**76.10**	**21.40**	77.23	21.41
Tiandeng Mine	100%	Measured	**0.86**	**17.07**	0.87	17.05
		Indicated	**3.22**	**16.40**	3.27	16.40
		Subtotal	**4.08**	**16.59**	4.14	16.58
		Inferred	**3.64**	**14.26**	3.65	14.27
		Total	**7.72**	**15.47**	7.79	15.48
Waifu Manganese Mine	100%	Measured	**–**	**–**	N/A	N/A
		Indicated	**–**	**–**	N/A	N/A
		Subtotal	**–**	**–**	N/A	N/A
		Inferred	**1.54**	**17.52**	N/A	N/A
		Total	**1.54**	**17.52**	N/A	N/A
Changgou Manganese Mine	64%	Measured	**3.25**	**20.45**	N/A	N/A
		Indicated	**15.87**	**20.32**	N/A	N/A
		Subtotal	**19.12**	**20.34**	N/A	N/A
		Inferred	**3.12**	**20.5**	N/A	N/A
		Total	**22.24**	**20.37**	N/A	N/A
Bembélé Manganese Mine	51%	Measured	**–**	**–**	–	–
		Indicated	**18.31**	**33.18**	18.59	33.17
		Subtotal	**18.31**	**33.18**	18.59	33.17
		Inferred	**12.37**	**32.74**	12.37	32.74
		Total	**30.68**	**33.00**	30.96	33.00
Total			**138.28**		115.98	

Summary of our manganese ore reserves

Mine	**Ownership Percentage**	**JORC Resource Category**	**Million tonnes**	**Average Manganese Grade (%)**	Million tonnes	Average Manganese Grade (%)
			31.12.2011		31.12.2010	
Daxin Mine	100%	Proved	**6.36**	**21.71**	6.98	21.86
		Probable	**66.56**	**18.86**	67.07	18.87
		Total	**72.92**	**19.11**	74.05	19.15
Tiandeng Mine	100%	Proved	**0.82**	**15.44**	0.83	15.99
		Probable	**3.10**	**15.42**	3.15	15.40
		Total	**3.92**	**15.42**	3.98	15.52
Waifu Manganese Mine	100%	Proved	**–**	**–**	N/A	N/A
		Probable	**–**	**–**	N/A	N/A
		Total	**–**	**–**	N/A	N/A
Changgou Manganese Mine	64%	Proved	**3.27**	**20.45**	N/A	N/A
		Probable	**14.72**	**20.30**	N/A	N/A
		Total	**17.99**	**20.33**	N/A	N/A
Bembélé Manganese Mine	51%	Proved	**–**	**–**	–	–
		Probable	**18.26**	**31.58**	18.54	31.59
		Total	**18.26**	**31.58**	18.54	31.59
Total			**113.09**		96.57	

Exploration, Development, and Mining Activities

I) Exploration

Daxin Mine

During the year, we have done the preparation work for the exploration at the northern and central mining blocks within the area under the mining permit of the Daxin Mine and on 10 December 2011, we entered into an agreement on exploration and production with China Metallurgical Geology Bureau Nanning Geological Survey Institute of Central South Bureau for exploration covering area with approximately 4.92km^2 in size with drilling holes over 20,000 meters and costean survey totaling around 2,000 meters, so that we can ascertain the shape, size, attitude, thickness and variation of the ore bodies.

Tiandeng Mine

Since March 2011, we conducted exploration work in the mining blocks of Dongmeng, Tiandeng Mine. As at 31 December 2011, 45 drilling holes totaling 7,077 meters and costean survey totaling 1,434 meters at the mining blocks of Tuoren East, Tuoren West, Luli and Dongmeng of Tiandeng Mine were completed. After the completion of the drilling works, Nanning San Die Geological Resource Development Limited will analyse the results and design the next phase of the exploration work.

Furthermore, the in-depth exploration of manganese carbonate ore carried out at the Tiandeng Mine had proved that there are ore bodies extending to 440 meters underground, which is outside the height limits of the mining rights. We are prepared to apply for the exploration right of such resources. We also intend to apply for complete exploration of Dongping, Tiandeng to Longhuai Manganese Mine, Tiandong with an area of about 600km^2, and expect to confirm 100 million tonnes of manganese mineral resources. Pursuant to the Notice Regarding the Reporting of Large-scale Geology Exploration Projects of Ore Resources in Guangxi in 2011(Gui Guo Tu Zi Fa[2011] No.46) issued jointly by the Department of Land and Resources of Guangxi and the Ministry of Finance of Guangxi, we had submitted applications for the two projects to the relevant Guangxi government authorities at the end of June 2011 and made preparation for the next phase at the same time.

Waifu Manganese Mine

Since our acquisition in July 2011, no exploration work has been done yet.

Changgou Manganese Mine

Since our acquisition in May 2011, no exploration work has been done yet.

Bembélé Manganese Mine

In June 2011, we entered into a contract with No. 1 Institute of China Metallurgical Geology Bureau regarding the geology survey of Manganese Mine Line 57-63 at Bembélé, Ndjole, the Republic of Gabon and the related valuation of the peripheral mining blocks. The exploration staff have collected samples of ores to prepare a detailed exploration survey report. It is expected that the survey report will be completed in mid-2012.

II) Development

Daxin Mine

During the year, we purchased a number of mining machines for Daxin Mine.

Tiandeng Mine

During the year, we purchased a number of mining machines for Tiandeng Mine.

Waifu Manganese Mine

During the year and after our acquisition, we have made the application to the Ministry of Land and Resources and we are waiting for the issuance of mining certificate.

Changgou Manganese Mine

During the year, we have completed the feasibility study report on technological advancement for increasing the production capacity to 600,000 tonnes per annum at Changgou Manganese Mine. We are now finalizing the reconstruction plan for the initial mine construction to facilitate further expansion of our production capacity.

Bembélé Manganese Mine

On 28 February 2011, we entered into a handling and logistics service agreement with SDV Gabon in respect of the logistics services at Société d' Exploitation des Parcs à Bois du Gabon of Owendo Port. During the year, we also completed the road diversion work of a total of 6,500 meters. Completion of such work enhances road safety and lowers the transportation costs as the number of bends and steepness were reduced. The trial production of mining operation of Bembélé Manganese Mine commenced in March 2011 and an aggregate of 340,100 tonnes of manganese ore had been extracted during the year.

III) Mining activities

(1) Mining operations

- *Daxin Mine*

	2011	2010
Open pit mining		
Mine production (thousand tonnes)	**806**	674
Underground mining		
Mine production (thousand tonnes)	**385**	354
Total mine production (thousand tonnes)	**1,191**	1,028
Average manganese grade		
Manganese carbonate ore	**18.21%**	19.5%
Manganese oxide ore	**30.68%**	31.3%

- *Tiandeng Mine*

	2011	2010
Open pit mining		
Mine production (thousand tonnes)	**287**	125
Average manganese oxide grade	**14.2%**	15.5%

- *Waifu Manganese Mine (Acquired with effect from July 2011)*

  During the year and after acquisition, no mining and exploitation work has been performed.

- *Changgou Manganese Mine (Acquired with effect from 31 May 2011)*

	2011	2010
Underground mining		
Mine production (thousand tonnes)	**120.6**	N/A
Average manganese carbonate grade	**17.3%**	N/A

- *Bembélé Manganese Mine*

	2011	2010
Open pit mining		
Mine production (thousand tonnes)	**340.1**	17.7
Average manganese oxide grade	**30.1%**	31.2%

(2) Ore processing operations

- Concentrating

Production (thousand tonnes)	**2011**	**2010**
Daxin Concentration Plant		
Concentrate production		
Manganese carbonate ore	**699**	656
Manganese oxide ore	**111**	106
Total	**810**	762
Average manganese grade of concentrate		
Manganese carbonate ore	**19.3%**	20.0%
Manganese oxide ore	**32.0%**	33.1%
Tiandeng Concentration Plant		
Manganese concentrate production	**151**	65.6
Average manganese grade of concentrate	**22.5%**	23.7%
Bembélé Concentration Plant		
Concentrate production	**268.9**	13.7
Average manganese grade of concentrate	**32.19%**	32.5%

- Grinding

Production (thousand tonnes)	2011	2010
Daxin Grinding Plant		
Powder produced	**706**	720

IV) Downstream processing operations

(1) Manganese downstream processing operations

- EMM

Our existing EMM production facilities include Daxin EMM Plant, Start EMM Plant, Tiandong EMM Plant and Sanmenglong EMM Plant. EMM facilities under construction include Tiandeng EMM Plant and the third production line of Tiandong EMM Plant. Details are set out below:

Production (thousand tonnes)	2011	2010
Daxin EMM Plant		
EMM production	**70.3**	65
Start EMM Plant		
EMM production	**14.4**	14
Tiandong EMM Plant		
EMM production	**17.6**	14
Sanmenglong EMM plant (Acquired with effect from July 2011)		
EMM production	**5.9**	N/A
Total	**108.2**	94

- Manganese sulfate

Production (thousand tonnes)	2011	2010
Daxin Manganese Sulfate Plant		
Manganese sulfate production	**19.3**	20

- EMD

Production (thousand tonnes)	2011	2010
Daxin EMD Plant		
EMD production	**17.1**	12

- Silicomanganese alloy

Production (thousand tonnes)	2011	2010
Tiandeng Ferroalloy Plant	**24.8**	32
Dabao Ferroalloy Plant	**8.4**	10.7
Qinzhou New Material Ferroalloy plant	**4.2**	–
Hui Xing Ferroalloy Plant (Acquired with effect from 31 May 2011)	**16.4**	N/A
Total	**25.4**	42.6

- Ferromanganese

Production (thousand tonnes)	2011	2010
Hui Xing Ferroalloy Plant (Acquired with effect from 31 May 2011)		
High carbon ferromanganese	**7.2**	N/A
Low and medium carbon ferromanganese	**1.9**	N/A
Total	**9.1**	N/A

- Manganese tetroxide and lithium manganese oxide

Production (thousand tonnes)	2011	2010
Manganese tetroxide	**3.1**	0.27
Lithium manganese oxide	**0.34**	0.08

(2) Non-manganese processing operations

- High carbon ferrochromium

Production (thousand tonnes)	2011	2010
High carbon ferrochromium	**12.9**	26
Lithium cobalt oxide	**0.34**	0.07

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 2011 are set out below:

(HK$'000)

	Daxin Mine	Tiandeng Mine	Waifu Manganese Mine *(Note)*	Changgou Manganese Mine *(Note)*	Bembélé Manganese Mine	Total
Exploration activities						
Drilling and analysis	–	8,717.4	–	–	878.6	9,596.0
Others	–	–	–	–	19.9	19.9
	–	8,717.4	–	–	898.5	9,615.9
Development activities (including mine construction)						
Purchases of assets and equipment	1,825.2	9,455.8	–	–	105,256.1	116,537.1
Construction of tunnels and roads	52,408.9	1,231.8	–	–	32,258.1	85,898.8
Staff cost	261.1	–	–	–	144.3	405.4
Others	5,545.5	–	–	–	2,577.9	8,123.4
	60,040.7	10,687.6	–	–	140,236.4	210,964.7
Mining activities*						
Staff cost	12,009.1	2,886.5	–	11,502.6	1,396.5	27,794.7
Consumables	13,904.8	1,970.0	–	9,916.1	–	25,790.9
Fuel, electricity, water and other services	18,752.3	5,395.8	–	1,931.9	4,861.9	30,941.9
On and off-site administration	11,441.8	–	–	–	–	11,441.8
Transportation	2,097.3	–	–	–	–	2,097.3
Non-income taxes, royalties and other governmental charges	30.5	–	–	–	–	30.5
Others	45,653.6	6,026.5	–	791.0	8.1	52,479.2
Depreciation	13,795.9	2,022.5	–	584.0	4,560.6	20,963.0
	117,685.3	18,301.3	–	24,725.6	10,827.1	171,539.3

(* Concentrating not included)

Note: Waifu Manganese Mine was acquired with effect from 31 July 2011 and Changgou Manganese Mine from 31 May 2011. We are in the process of applying for the mining right certificates of these two mines.

Expenses of exploration, development, and mining activities of the Group for the year ended 31 December 2010 are set out below:

(HK$'000)

	Daxin Mine	Tiandeng Mine	Bembélé Manganese Mine	Total
Exploration activities				
Drilling and analysis	–	2,238.2	–	2,238.2
	–	2,238.2	–	2,238.2
Development activities (including mine construction)				
Purchases of assets and equipments	20,495.5	2,613.2	59,775.8	82,884.5
Construction of tunnels and roads	43,183.0	–	18,661.2	61,844.2
Staff cost	26.3	–	3,308.4	3,334.7
Transportation cost	–	–	7,049.4	7,049.4
Others	3,741.6	–	34,431.4	38,173.0
	67,446.4	2,613.2	123,226.2	193,285.8
Mining activities*				
Staff cost	7,471.3	1,409.7	238.6	9,119.6
Consumables	7,719.7	1,558.1	0.3	9,278.1
Fuel, electricity, water and other services	16,473.9	1,481.8	152.7	18,108.4
On and off-site administration	27,951.9	–	–	27,951.9
Transportation	34.1	–	91.7	125.8
Non-income taxes, royalties and other governmental charges	1,979.8	–	–	1,979.8
Others	38,551.7	4,160.8	51.6	42,764.1
Depreciation	11,230.5	885.6	411.2	12,527.3
	111,412.9	9,496.0	946.1	121,855.0

(* Concentrating not included)

Human Resources

As at 31 December 2011, the Group had approximately 8,289 (2010: 3,055) full-time employees in HK and the PRC following the acquisition of Hui Xing Company and Sanmenglong in May 2011 and July 2011 respectively; approximately 202 (2010:140) full-time employees in Gabon. 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 including comprehensive medical, life and disability insurance plans and retirement schemes are offered to employees.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

The Group operates the following contribution retirement benefit schemes for its employees:

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

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

Contributions are made based on a percentage of the employees' basic salaries. 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 vest fully with the employees when contributed into these schemes. The Company operates a share option scheme for the purpose of providing incentives.

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.

OTHER INFORMATION

Dividends

The Board recommends the payment of a final dividend of HK1.0 cent per ordinary share for the year ended 31 December 2011 subject to the approval of the shareholders at the forthcoming annual general meeting. The proposed final dividend will be payable on or about Friday, 20 July 2012 to shareholders whose names appear on the register of members of the Company as at 4:30 p.m. on Friday, 29 June 2012.

Annual General Meeting

It is proposed that the Annual General Meeting of the Company will be held on Thursday, 21 June 2011. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

Book Closure

The transfer books and register of members of the Company will be closed from Tuesday, 19 June 2012, to Thursday, 21 June 2012, both days inclusive, during which period no transfer of shares will be effect. In order to qualify for attending the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 18 June 2012.

Purchase, Sale or Redemption of the Company's Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the financial year ended 31 December 2011.

Audit Committee

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Company has an audit committee comprising three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the consolidated results of the Group for the six months ended 30 June 2011 and the year ended 31 December 2011.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2011.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as contained in Appendix 10 to the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2011.

Publication of Final Results and Annual Report on the Stock Exchange

The final results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.dameng.citic.com). The annual report will be despatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

Our Appreciation

Finally, we would like to express our gratitude to the Shareholders, business partners, distributors and customers for their unfaltering support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

GLOSSARY OF TERMS

"Apexhill"	Apexhill Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 3 November 2004, which is wholly-owned by CITIC United Asia Limited. Apexhill is a shareholder of our Company
"associate"	has the meaning ascribed thereto in the Listing Rules
"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 CICMHZ, a company in which we indirectly hold a 51% equity interest
"Board or Board of Directors"	our board of Directors
"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 announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan

"CITIC Dameng Investments"	CITIC Dameng Investments Limited（中信大錳投資有限公司）
"CITIC Dameng Mining"	CITIC Dameng Mining Industries Co., Limited (中信大錳礦業有限責任公司)
"CITIC Group"	中國中信集團有限公司 (CITIC Group Corporation) (formerly known as 中國中信集團公司 (CITIC Group)), a company incorporated under the laws of the PRC on 4 October 1979, and, except where the context may otherwise require, all of its subsidiaries, which is a Controlling Shareholder of our Company
"CITIC Resources"	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability on 18 July 1997 and listed on the Stock Exchange (Stock Code: 1205), which is a Controlling Shareholder of our Company
"Companies Act"	The Companies Act 1981 of Bermuda
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company or our Company"	CITIC Dameng Holdings Limited
"Controlling Shareholder"	has the meaning ascribed thereto 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
"EMD"	electrolytic manganese dioxide
"EMM"	electrolytic manganese metal
"Group", "we" or "us"	the Company and its subsidiaries
"Guangxi"	Guangxi Zhuang Autonomous Region, the PRC
"Guangxi Dameng"	廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industrial Co., Ltd.), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi
"Guangxi Dameng BVI"	Guinan Dameng International Resources Limited (桂南大錳國際資源有限公司)

"Highkeen"	Highkeen Resources Limited, a company incorporated in the British Virgin Islands on 28 January 2005 with limited liability, which is indirect wholly-owned by CITIC Resources Holdings Limited. Highkeen is an immediate Controlling Shareholder of our Company
"Hong Kong or HK"	the Hong Kong Special Administrative Region of the PRC
"Hui Xing Company"	貴州遵義匯興鐵合金有限公司 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company)
"Hui Xing Ferroalloy Plant"	the ferroalloy plant associated with Changgou Manganese Mine
"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 2004 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Non-compete Undertaking"	the non-compete undertaking given by CITIC Resources Holdings Limited in favor of our Company under the deed of non-competition dated 3 November 2010
"Prospectus"	the prospectus of the Company dated 8 November 2010
"Sanmenglong"	廣西三錳龍礦業有限公司(Guangxi Sanmenglong Mining Limited Company)
"Securities and Futures Ordinance or SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares"	ordinary shares in the share capital of the Company, with a nominal value of HK$0.10 each
"Stock Exchange"	the Stock Exchange of Hong Kong Limited

"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Tiandeng Mine"	中信大錳礦業有限責任公司天等錳礦 (CITIC Dameng Mining Industries Co., Limited Tiandeng Manganese Mine)
"tonne"	metric tonne
"Waifu Manganese Mine"	靖西縣外伏錳礦 (Jingxi Waifu Manganese Mine)
"XAF"	Central African CFA franc

By Order of the Board
CITIC DAMENG HOLDINGS LIMITED
Qiu Yiyong
Chairman

Hong Kong, 1 March 2012

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. Zeng Chen 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*