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 2012

Financial Summary

	1H2012 *HK$'000*	1H2011 *HK$'000*	Increase/ (decrease) %
Revenue	**1,538,780**	1,693,797	(9%)
Operating (loss)/profit	**(128,677)**	177,674	(172%)
Gain on bargain purchase	**–**	259,244	(100%)
(Loss)/profit before tax	**(128,677)**	436,918	(129%)
Income tax expenses	**(26,068)**	(63,917)	(59%)
(Loss)/profit after tax	**(154,745)**	373,001	(141%)
(Loss)/profit attributable to owners of the parent	**(107,342)**	380,001	(128%)
Loss attributable to non-controlling interests	**(47,403)**	(7,000)	577%
	(154,745)	373,001	(141%)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**1,538,780**	1,693,797
Cost of sales		**(1,344,352)**	(1,300,704)
Gross profit		**194,428**	393,093
Other income and gains	*4*	**48,184**	62,447
Gain on bargain purchase from the acquisition of a subsidiary		**–**	259,244
Selling and distribution costs		**(39,244)**	(41,129)
Administrative expenses		**(204,078)**	(120,460)
Share option expenses		**(19,214)**	(29,768)
Other expenses		**(33,880)**	(25,445)
Finance costs	*5*	**(74,873)**	(61,064)
(LOSS)/PROFIT BEFORE TAX	*6*	**(128,677)**	436,918
Income tax expense	*7*	**(26,068)**	(63,917)
(LOSS)/PROFIT FOR THE PERIOD		**(154,745)**	373,001
OTHER COMPREHENSIVE (LOSS)/INCOME		**(36,449)**	69,909
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		**(191,194)**	442,910
(Loss)/profit attributable to:			
Owners of the parent		**(107,342)**	380,001
Non-controlling interests		**(47,403)**	(7,000)
		(154,745)	373,001
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(151,201)**	448,828
Non-controlling interests		**(39,993)**	(5,918)
		(191,194)	442,910
(Loss)/earnings per share attributable to ordinary equity holders of the parent:	*8*		
– Basic		**(3.55 HK cents)**	12.56 HK cents
– Diluted		**(3.55 HK cents)**	12.56 HK cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	**30 June 2012 HK$'000 (Unaudited)**	31 December 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,109,894**	2,958,709
Investment properties		**84,206**	85,116
Prepaid land lease payments		**479,802**	491,104
Intangible assets		**861,464**	878,732
Available-for-sale equity investment		**4,533**	4,582
Deferred tax assets		**110,647**	131,545
Deposits and prepayments	*11*	**218,694**	203,985
Total non-current assets		**4,869,240**	4,753,773
CURRENT ASSETS			
Inventories		**809,145**	810,509
Trade and notes receivables	*10*	**804,086**	948,573
Prepayments, deposits and other receivables	*11*	**411,860**	370,809
Due from related companies	*15(b)*	**3,155**	16,701
Tax recoverable		**7,411**	–
Pledged deposits		**109,433**	97,932
Cash and cash equivalents		**1,642,422**	1,898,434
Total current assets		**3,787,512**	4,142,958
CURRENT LIABILITIES			
Trade payables	*12*	**425,906**	318,101
Other payables and accruals	*13*	**625,827**	564,839
Final dividend payable	*9(b)*	**30,248**	–
Interest-bearing bank borrowings	*14*	**2,242,761**	1,791,153
Due to related companies	*15(b)*	**24,735**	14,350
Tax payable		**–**	5,979
Total current liabilities		**3,349,477**	2,694,422
NET CURRENT ASSETS		**438,035**	1,448,536
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,307,275**	6,202,309

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*14*	**816,648**	1,499,189
Deferred tax liabilities		**207,518**	211,220
Other long-term liabilities		**3,907**	3,954
Deferred income		**103,583**	110,099
Total non-current liabilities		**1,131,656**	1,824,462
Net assets		**4,175,619**	4,377,847
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**302,480**	302,480
Reserves		**3,517,893**	3,649,880
Proposed final dividend		**–**	30,248
		3,820,373	3,982,608
Non-controlling interests		**355,246**	395,239
Total equity		**4,175,619**	4,377,847

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2012

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, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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 Mainland China, as well as manganese mining and ore processing operations in Gabon.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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**").

Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include HKASs and Interpretations) as disclosed below. The Group has adopted the following new and revised HKFRSs for the first time for the current period's interim condensed consolidated 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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of these new and revised HKFRSs has no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

Issued but not yet effective HKFRSs

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First Time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financing Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (as revised in 2011)	*Employee Benefits*[2]
HKAS 27 (as revised in 2011)	*Separate Financial Statements*[2]
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a Number of HKFRSs Issued in June 2012[2]

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not in a position to state whether these new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

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

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

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

(b) Manganese downstream processing segment (PRC)

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

(c) Non-manganese processing segment (PRC)

The non-manganese processing segment engaged in the production and sale of non-manganese products, including high carbon ferrochromium and lithium cobalt oxide; and

(d) Others segment (PRC)

The others segment comprises, principally, the trading of various commodities such as manganese ore, EMM and silicomanganese alloys, and sales of scraps.

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/(loss) 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 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 prevailing market prices.

	Manganese mining and ore processing		**Manganese downstream processing**	**Non-manganese processing**	**Others**		
	PRC	**Gabon**	**PRC**	**PRC**	**PRC**	**Eliminations**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Six months ended 30 June 2012 (Unaudited)							
Segment revenue:							
Sales to external customers	**77,340**	**27,586**	**1,182,963**	**93,330**	**157,561**	**–**	**1,538,780**
Intersegment sales	**58,885**	**8,037**	**-**	**-**	**-**	**(66,922)**	**–**
Other revenue/(loss)	**1,563**	**–**	**9,480**	**(83)**	**18,230**	**–**	**29,190**
Total	**137,788**	**35,623**	**1,192,443**	**93,247**	**175,791**	**(66,922)**	**1,567,970**
Segment results	**9,537**	**(44,937)**	**38,118**	**(8,546)**	**11,577**	**-**	**5,749**
Reconciliations:							
Interest income							**18,994**
Corporate and other unallocated expenses							**(78,547)**
Finance costs							**(74,873)**
Loss before tax							**(128,677)**
Income tax expense							**(26,068)**
Loss for the period							**(154,745)**
Assets and liabilities							
Segment assets	**1,215,739**	**663,422**	**4,338,914**	**413,732**	**181,467**	**–**	**6,813,274**
Reconciliations:							
Corporate and other unallocated assets							**1,843,478**
Total assets							**8,656,752**
Segment liabilities	**142,532**	**560,626**	**1,024,187**	**101,016**	**38,493**	**–**	**1,866,854**
Reconciliations:							
Corporate and other unallocated liabilities							**2,614,279**
Total liabilities							**4,481,133**

	Manganese mining and ore processing PRC HK$'000	Gabon HK$'000	Manganese downstream processing PRC HK$'000	Non-manganese processing PRC HK$'000	Others PRC HK$'000	Eliminations HK$'000	Total 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	414	18,208	1,222	128	30,184	–	50,156
Total	152,670	18,208	1,375,210	81,841	158,334	(42,310)	1,743,953
Segment results	55,701	(1,749)	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	533,011	562,898	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	39,775	420,793	1,118,497	45,565	75,188	–	1,699,818
Reconciliations:							
Corporate and other unallocated liabilities							2,692,996
Total liabilities							4,392,814

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is 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	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**1,538,780**	1,693,797
Other income and gains		
Interest income	**18,994**	12,291
Gain on disposal of items of property, plant and equipment	**4,133**	206
Subsidy income	**7,300**	1,521
Foreign exchange differences, net	**–**	30,082
Sales of scraps	**13,621**	8,724
Others	**4,136**	9,623
	48,184	62,447

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**83,029**	62,729
Finance costs for discounted notes receivable	**370**	2,344
Less: Interest capitalised	**(8,526)**	(4,009)
	74,873	61,064

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**1,328,699**	1,284,697
Depreciation	**132,074**	89,193
Amortisation of prepaid land lease payments	**6,199**	3,069
Amortisation of intangible assets	**8,469**	3,523
Auditors' remuneration	**1,484**	1,497
Minimum lease payments under operating leases, land and buildings	**3,762**	5,349
Equity-settled share option expenses	**19,214**	29,768
Employee benefit expense	**166,296**	120,859
Gain on disposal of items of property, plant and equipment*	**(4,133)**	(206)
Foreign exchange differences, net	**25,539**	(30,082)
Write-down of inventories to net realisable value, net#	**15,653**	16,007
Impairment of trade and other receivables, net*	**5,683**	6,827

\# 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.

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 operate.

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	**8,008**	54,336
Deferred	**18,060**	9,581
Total tax charge for the period	**26,068**	63,917

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.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic and diluted (loss)/earnings per share are based on:	Six months ended 30 June **2012** **(Unaudited)** ***HK$'000***	 2011 (Unaudited) *HK$'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(107,342)**	380,001
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	**3,024,795,000**	3,024,795,000

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2012 nor the six months ended 30 June 2011. No adjustment has been made to the basic (loss)/earnings per share amounts presented for the six months ended 30 June 2012 nor the six months ended 30 June 2011 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

9. DIVIDEND

(a) The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (2011: Nil).

(b) The proposed final dividend for the year 2011 was approved by the annual general meeting of the Company on 21 June 2012 and was payable on 20 July 2012:

	30 June 2012 ***HK$'000*** **(Unaudited)**	31 December 2011 *HK$'000* (Audited)
2011 final dividend of HK1.0 cent per share on 3,024,795,000 shares	**30,248**	–

10. TRADE AND NOTES RECEIVABLES

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Trade receivables	**599,735**	429,275
Notes receivables	**224,664**	534,304
	824,399	963,579
Less: Provision for impairment	**(20,313)**	(15,006)
	804,086	948,573

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 will be paid by the banks when due.

An ageing 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 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Within one month	**337,886**	399,975
One to two months	**232,339**	252,942
Two to three months	**59,843**	114,816
Over three months	**174,018**	180,840
	804,086	948,573

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

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
At 1 January 2012/1 January 2011	**15,006**	4,821
Impairment losses recognised	**6,307**	9,171
Acquisition of subsidiaries	**–**	682
Write-off	**(776)**	(142)
Exchange realignment	**(224)**	474
At 30 June 2012/31 December 2011	**20,313**	15,006

Included in the above provision for impairment of trade and notes receivables are provisions for individually impaired trade receivables of HK$20,313,000 (2011: HK$15,006,000) with a carrying amount before provision of approximately HK$20,313,000 (2011: HK$15,006,000) as at 30 June 2012. 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:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**630,068**	767,733
Less than three months past due	**134,403**	154,802
Over three months past due	**39,615**	26,038
Total	**804,086**	948,573

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

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Deposits	**176,768**	154,930
Prepayments	**41,926**	49,055
	218,694	203,985

Current portion

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Prepayments	**110,625**	83,373
Deposits and other receivables	**179,165**	164,046
Loan to a third party	**122,070**	123,390
	411,860	370,809

Loan to a third party bears interest at 6.56% per annum and are due on 12 October 2012 (2011: interest at 7.15% per annum and are due on 12 April 2012).

12. TRADE PAYABLES

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

	30 June 2012 *HK$'000* (Unaudited)	31 December 2011 *HK$'000* (Audited)
Within one month	**201,885**	192,842
One to two months	**79,382**	41,816
Two to three months	**36,325**	33,337
Over three months	**108,314**	50,106
	425,906	318,101

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

13. OTHER PAYABLES AND ACCRUALS

	30 June 2012 *HK$'000* (Unaudited)	31 December 2011 *HK$'000* (Audited)
Advances from customers	**60,738**	66,221
Other payables	**438,377**	378,156
Accruals	**126,712**	120,462
	625,827	564,839

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

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2012			31 December 2011		
	Effective Interest rate (%)	**Maturity**	***HK$'000*** **(Unaudited)**	Effective Interest rate (%)	Maturity	*HK$'000* (Audited)
Current						
Bank loans – secured[a]	**5.81-6.89**	**2012-2013**	**36,621**	5.81-6.06	2012	37,017
Bank loans – unsecured	**5.23-6.89, HIBOR/ LIBOR/ Cost of funds+3.8%**	**2012-2013**	**880,743**	4.70-6.89	2012	1,016,196
Current portion of long term bank loans – secured[a]	**–**	**–**	**–**	5.96	2012	119,688
Current portion of long term bank loans – unsecured	**5.76-6.40, LIBOR+0.85**	**2012**	**1,325,397**	4.86-5.96, LIBOR+0.85	2012	618,252
			2,242,761			1,791,153
Non-current						
Bank loans – secured[a]	**7.05**	**2013-2015**	**137,939**	5.27-6.14	2013-2015	139,431
Bank loans – unsecured	**5.76-7.25**	**2013-2016**	**678,709**	4.86-7.25	2013-2016	1,359,758
			816,648			1,499,189
			3,059,409			3,290,342

	30 June 2012 ***HK$'000*** **(Unaudited)**	31 December 2011 *HK$'000* (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,242,761**	1,791,153
In the second year	**122,070**	797,099
In the third to fifth years, inclusive	**694,578**	702,090
	3,059,409	3,290,342

(a) The secured bank loans are secured by certain of the Group's assets with carrying values set out as follows:

	30 June 2012 ***HK$'000*** **(Unaudited)**	31 December 2011 *HK$'000* (Audited)
Property, plant and equipment	**194,104**	239,514
Prepaid land lease payments	**44,966**	45,994
Pledged deposits	**109,060**	88,292
	348,130	373,800

Except for unsecured bank loans of HK$454,435,000 (2011: HK$420,290,000) which are denominated in United States dollars, all borrowings were denominated in Renminbi.

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:

		Six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Purchase of raw materials from subsidiaries of Guangxi Dameng Manganese Industrial Co., Ltd. ("**Guangxi Dameng**")	*(i)*	**6,173**	6,475
Purchase of property, plant and equipment from a subsidiary of Guangxi Dameng	*(i)*	**2,761**	187
Sales of goods to subsidiaries of Guangxi Dameng	*(ii)*	**–**	23,526
Provision of electricity and water to Guangxi Dameng	*(iii)*	**22**	20
Provision of integrated service as defined in the Prospectus by Guangxi Dameng	*(iv)*	**1,473**	2,856
Maximum bank deposits with related companies during the period	*(v)*	**53,063**	188,229
Interest income on deposits placed with related companies	*(v)*	**46**	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

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$245,520) as mutually agreed by the parties.

(v) Maximum bank deposits with related companies during the period and related interest income 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 six months ended 30 June 2011, 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.

(b) Outstanding balances with related parties

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Due from related companies		
Trade receivables	**–**	16,309
Other receivables	**11**	–
Prepayments	**3,144**	392
	3,155	16,701
Due to related companies		
Trade payables	**11,509**	10,977
Other payables	**13,226**	3,373
	24,735	14,350
Bank deposits with related companies	**10,857**	40,721

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

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

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	**3,855**	3,929
Bonuses	**–**	59
Equity-settled share option expenses	**13,607**	22,045
Pension scheme contributions	**25**	85
Total compensation paid to key management personnel	**17,487**	26,118

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

	1H2012	1H2011	Increase/(decrease)	
	HK$'000	*HK$'000*	*HK$'000*	%
Revenue	**1,538,780**	1,693,797	(155,017)	(9%)
Operating (loss)/profit (excluding share options expenses)	**(109,463)**	207,442	(316,905)	(153%)
Share options expenses	**(19,214)**	(29,768)	(10,554)	(35%)
Operating (loss)/profit	**(128,677)**	177,674	(306,351)	(172%)
Gain on bargain purchase	**–**	259,244	(259,244)	(100%)
(Loss)/profit before tax	**(128,677)**	436,918	(565,595)	(129%)
Income tax expenses	**(26,068)**	(63,917)	(37,849)	(59%)
(Loss)/profit after tax	**(154,745)**	373,001	(527,746)	(141%)
(Loss)/profit attributable to owners of the parent	**(107,342)**	380,001	(487,343)	(128%)
Loss attributable to non-controlling interests	**(47,403)**	(7,000)	40,403	577%
	(154,745)	373,001	(527,746)	(141%)

Financial Highlights

- Turnover amounted to HK$1,538.8 million for 1H 2012, representing a decrease of 9% from HK$1,693.8 million in 1H 2011.
- Operating loss (excluding share option expenses) for 1H 2012 was HK$109.5 million (1H 2011: operating profit (excluding share option expenses) of HK$207.4 million).
- The Group's loss after tax amounted to HK$154.7 million for 1H 2012 (1H 2011: Profit after tax of HK$373.0 million).
- Loss attributable to owners of the parent amounted to HK$107.3 million for 1H 2012 (1H 2011: Profit attributable to owners of the parent of HK$380.0 million).

Overview

European sovereign debt crisis has not eased in the past six months if not worsened and the US economy's recovery has been slower than expected. Unavoidably, PRC's economy, particularly our downstream steel industry, has been adversely affected and therefore the first half of 2012 has continued from the fourth quarter last year to be an extremely tough period for our company. In 1H 2012, our Group's performance decreased significantly and recorded a loss. The consolidated net loss attributable to owners of the parent was HK$107.3 million (1H 2011: consolidated net profit attributable to owners of the parent of HK$380.0 million). These were mainly due to:

(1) Despite the sluggish demand for our downstream steel products in the first half of the year, steel mills continued to expand their production volume as evidenced by the growth of crude steel by 1.8%. These factors combined squeezed the prices of steel products and hence inevitably those of our manganese products. The average selling price of our major product EMM recorded a year on year drop of 17.2%.

(2) On the cost front, continuing upward pressure on unit costs in the PRC of power and labour, dissipated most of our efforts in improving unit consumption rate. All in all, the Group ("**we**") managed to reduce in the very difficult environment our unit cost of production as compared to the same period last year, but the unit cost improvement was significantly outpaced by the substantial drop in average selling price.

(3) We are in the strategic phase of transforming Guizhou Zunyi Hui Xing Ferroalloy Company Limited ("**Hui Xing Company**"), a subsidiary in Guizhou, which we acquired in the last year. In December 2011 and in accordance with our acquisition strategy, we started to relocate its loss making ferro-alloy operation in the designated future central business district with the full support of the local government. Hui Xing Company will then move into the next phase of building up EMM production plants from scratch in the nearby Goujiang Economic and Technological Development Zone in Zunyi City. As planned, we have to transform the skill sets of its existing labour force released from such ferro-alloy operation and continue to bear the employee and related administration costs during the stage of staff transformation before its production of EMM commences.

(4) In the first half of 2011, we recorded a gain on bargain purchase of Hui Xing Company, amounting to HK$259.2 million. There was no similar item in the first half of 2012.

Comparison with six months ended 30 June 2011

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

	Six months ended 30 June							
	2012				2011			
	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								
Manganses concentrate	**73,919**	**620**	**45,855**	**3.0**	92,532	617	57,122	3.4
Gabon ore	**23,493**	**1,174**	**27,586**	**1.8**	–	–	–	–
Natural discharging manganese powder and sand	**10,118**	**3,112**	**31,485**	**2.0**	17,833	2,962	52,824	3.1
Sub-Total	**107,530**	**976**	**104,926**	**6.8**	110,365	996	109,946	6.5
Manganese downstream processing								
EMM	**51,558**	**16,203**	**835,397**	**54.3**	49,932	19,572	977,267	57.7
Silicomanganese alloy	**25,162**	**7,954**	**200,147**	**13.0**	27,097	7,763	210,342	12.4
EMD	**9,824**	**9,275**	**91,120**	**5.9**	8,573	10,072	86,350	5.1
Manganese sulfate	**8,560**	**4,407**	**37,726**	**2.5**	11,095	3,902	43,291	2.6
Ferromanganese	**226**	**7,987**	**1,805**	**0.1**	4,699	8,168	38,383	2.3
Manganese tetroxide	**78**	**15,423**	**1,203**	**0.1**	1,072	17,123	18,355	1.1
Others	**1,388**	**11,214**	**15,565**	**1.0**	–	–	–	–
Sub-Total	**96,796**	**12,221**	**1,182,963**	**76.9**	102,468	13,409	1,373,988	81.2
Non-manganese processing								
High carbon ferrochromium	**4,865**	**9,400**	**45,732**	**3.0**	7,647	10,288	78,673	4.6
Lithium cobalt oxide	**232**	**202,013**	**46,867**	**3.0**	13	233,846	3,040	0.2
Others	**117**	**6,248**	**731**	**0.1**	–	–	–	–
Sub-Total	**5,214**	**17,900**	**93,330**	**6.1**	7,660	10,667	81,713	4.8
Other business								
Trading	**31,134**	**5,061**	**157,561**	**10.2**	24,943	5,138	128,150	7.5
Total	**240,674**	**6,394**	**1,538,780**	**100.0**	245,436	6,901	1,693,797	100.0

Revenue

In 1H 2012, the Group's revenue was HK$1,538.8 million (1H 2011: HK$1,693.8 million), which represented a decrease of 9.2% as compared with 1H 2011. Retarding economic growth in the PRC slowed down the pace of investments in fixed assets and infrastructures as well as the property development in China. As a result, steel manufacturing industry tumbled and led to a significant decrease in selling prices of our major downstream products, especially EMM albeit a small increase in the sales quantity of it.

Manganese mining and ore processing – As most of the ore we mined in the PRC were consumed internally, performance of manganese mining and ore processing segment remained steady in 1H 2012 compared with 1H 2011. Revenue derived from this segment decreased by 4.6% to HK$104.9 million (1H 2011: HK$109.9 million) as sales volume dropped by 2.6% to 107,530 tonnes (1H 2011: 110,365 tonnes). Average selling price was also set at HK$976/tonne (1H 2011: HK$996/tonne). During the six months ended 30 June 2012, 23,493 tonnes of ore sales related to our Gabon's trial production in the year 2011 and sold to customers in the PRC.

Manganese downstream processing – Revenue from manganese downstream processing dropped by 13.9% from HK$1,374.0 million to HK$1,183.0 million. This is mainly due to the drop of average selling price of 17.2% of our major product EMM despite an increase in EMM sales volume by 3.3% which was attributable to our newly acquired Guangxi Sanmenglong Mining Company Limited ("**Sanmenglong**") operation. As a result, EMM accounted for 54.3% of total revenue in 1H 2012 as compared to 57.7% in 1H 2011.

In 1H 2012, we tried to contain the production of the low margin product, silicomanganese alloy, of which sales volume decreased by 7.1% to 25,162 tonnes (1H 2011: 27,097 tonnes). Firstly, we temporarily suspended the production of our Dabao plant from January 2012 to April 2012 due to the weakening market demand. Secondly, our Hui Xing plant is undergoing relocation of its ferro-alloy operation with effect from 1 January 2012. On the other hand, average selling price of silicomanganese alloy moderately increased by 2.5% to HK$7,954/tonne (1H 2011: HK$7,763/tonne), as there was a change in sales mix to the more expensive high grade silicomanganese products.

Sales volume of EMD for 1H 2012 increased by 14.6% to 9,824 tonnes (1H 2011: 8,573 tonnes). Conversely, average selling price of EMD decreased in line with general economic trend by 7.9% to HK$9,275/tonne (1H 2011: HK$10,072/tonne).

Non-manganese processing – In November 2011, we ceased our non-core operation, high carbon ferrochromium production in Qinzhou and modified the production facilities to produce silicomanganese alloy commencing from February 2012. Consequently, sales volume of high carbon ferrochromium dropped by 36.4% to 4,865 tonnes (1H 2011: 7,647 tonnes) and during 1H 2012, we gradually sold the remaining ferrochromium stocks. Average selling price of high carbon ferrochromium decreased by 8.6% to HK$9,400/tonne (1H 2011: HK$10,288/tonne) in line with the slump in general commodity prices.

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

	Six months ended 30 June							
	2012				2011			
	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								
Manganses concentrate	15,729	213	30,126	65.7	20,682	224	36,440	63.8
Gabon ore	31,136	1,325	(3,550)	(12.9)	–	–	–	–
Natural discharging manganese powder and sand	7,210	713	24,275	77.1	13,074	733	39,750	75.2
Sub-Total	54,075	503	50,851	48.5	33,756	306	76,190	69.3
Manganese downstream processing								
EMM	719,803	13,961	115,594	13.8	699,440	14,008	277,827	28.4
Silicomanganese alloy	194,781	7,741	5,366	2.7	191,516	7,068	18,826	9.0
EMD	77,185	7,857	13,935	15.3	60,765	7,088	25,585	29.6
Manganese sulfate	29,115	3,401	8,611	22.8	34,575	3,116	8,716	20.1
Ferromanganese	1,084	4,796	721	39.9	40,475	8,614	(2,092)	(5.5)
Manganese tetroxide	1,362	17,462	(159)	(13.2)	17,674	16,487	681	3.7
Others	11,442	8,244	4,123	26.5	–	–	–	–
Sub-Total	1,034,772	10,690	148,191	12.5	1,044,445	10,193	329,543	24.0
Non-manganese processing								
High carbon ferrochromium	44,130	9,071	1,602	3.5	77,472	10,131	1,201	1.5
Lithium cobalt oxide	41,764	180,017	5,103	10.9	3,080	236,923	(40)	(1.3)
Others	35	299	696	95.2	–	–	–	–
Sub-Total	85,929	16,480	7,401	7.9	80,552	10,516	1,161	1.4
Other business								
Trading	153,923	4,944	3,638	2.3	125,944	5,049	2,206	1.7
Inventory provision	15,653		(15,653)		16,007		(16,007)	
Total	1,344,352		194,428	12.6	1,300,704		393,093	23.2

Cost of Sales

Cost of sales increased by HK$43.7 million or 3.4%, to HK$1,344.4 million in 1H 2012, as compared to HK$1,300.7 million in 1H 2011. This cost increase was primarily due to the increase in the unit costs of direct materials, including raw materials and auxiliary materials as well as purchase directly for trading.

The unit cost of sales of manganese mining and ore processing segment during 1H 2012 increased by 64.4% to HK$503/tonne (1H 2011: HK$306/tonne). This increase was mainly attributable to the first sales of Gabon ore during 1H 2012 which has a comparatively higher unit cost as well as average selling price, due to its higher ore grades and transportation cost from West Africa.

In 1H 2012, unit cost of EMM decreased mildly by 0.3% to HK$13,961/tonne (1H 2011: HK$14,008/tonne). This was mainly attributable to the mild decrease in the unit costs of auxiliary materials such as sulfuric acid and selenium dioxide and the improved consumption rate of materials and power per unit of production. However, the positive effect of these factors had almost all been set off by the increase in unit cost of electricity and labour in the inflationary environment.

Unit cost of silicomanganese alloy increased by 9.5% to HK$7,741/tonne (1H 2011: $7,068/tonne) due to the change in sales mix of our silicomanganese products.

Unit cost of high carbon ferrochromium decreased by 10.5% to HK$9,071/tonne (1H 2011: HK$10,131/tonne) as sales in 1H 2012 represented sales of stocks brought forward from 2011 and these stocks had already been marked down to market value as of 31 December 2011.

Gross Profit

In 1H 2012, the Group recorded a gross profit of HK$194.4 million (1H 2011: HK$393.1 million), representing a decrease of HK$198.7 million or 50.5%. The Group's overall gross profit margin was 12.6%, representing a decrease of 10.6% from 1H 2011's 23.2%. Deteriorated gross profit margin was mainly attributable to (i) drop in gross profit margin of EMM from 28.4% to 13.8%, (ii) EMD suffered the same as EMM and the gross profit decreased by HK$11.7 million whereas gross profit margin for EMD decreased from 29.6% to 15.3%.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 1H 2012 have decreased by 4.6% to HK$39.2 million (1H 2011: HK$41.1 million). The decrease was in line with the decrease in sales for 1H 2012.

Administrative Expenses

Administrative expenses including share option expenses, increased by 48.7% to HK$223.3 million for 1H 2012 (1H 2011: HK$150.2 million). The increase was mainly attributable to (1) the enlarged scale of our Group's operation following the acquisitions of Hui Xing Company and Sanmenglong in May 2011 and July 2011 respectively and (2) certain production capacity of our ferroalloy plants, particularly Hui Xing Company, is undergoing relocation and the corresponding costs including temporarily idle workers' salaries and depreciation were classified as administrative expenses instead of cost of sales.

Finance Cost

For 1H 2012, our Group's finance cost was HK$74.9 million (1H 2011: HK$61.1 million), representing an increase of 22.6%. This was the combined effect of (1) increased borrowings to finance the expansion projects in PRC and Gabon and (2) increase in average interest rate as compared with 1H 2011.

Income Tax

Although we had a loss before tax, we recorded tax expenses of HK$26.1 million for the period ended 30 June 2012 (1H 2011: HK$63.9 million) primarily due to: (1) reversal of deferred tax asset brought forward from previous years and arising from tax losses mainly of ferroalloy producing subsidiaries and (2) we did not provide deferred tax for current period losses of certain subsidiaries as it is uncertain whether future taxable profits would arise to offset against these losses.

(Loss)/Profit Attributable to Owners of the Parent

For 1H 2012, the Group's loss attributable to owners of the parent was HK$107.3 million (1H 2011: Group's profit attributable to owners of the parent was HK$380.0 million).

(Loss)/Earnings per share

For 1H 2012, loss per share attributable to ordinary equity holders of the Company amounted to 3.55 HK cents (1H 2011: earnings per share attributable to ordinary equity holders of the Company of 12.56 HK cents).

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

Use of Proceeds from IPO

As at 30 June 2012, we have utilized the net proceeds raised from the IPO in accordance with the designated uses set out in the Prospectus as follows:

	Description	Amount designated in Prospectus *(HK$Million)*	Amount utilized up to 30.6.2012 *(HK$Million)*	% utilized	*Amount utilized up to 31.12.2011 (HK$Million)*	*% utilized*
1	Expansion project at Daxin EMD Plant	79	54	68.4%	*33*	*41.5%*
2	Expansion project of underground mining and ore processing at Daxin Mine	278	103	37.1%	*64*	*22.9%*
3	Expansion and construction projects of our EMM production facilities	516	303	58.7%	*185*	*35.9%*
4	Construction project at Chongzuo Base	59	9	15.3%	*8*	*13.3%*
5	Development of Bembélé manganese mine and associated facilities	119	119	100.0%	*119*	*100.0%*
6	Technological improvement and renovation projects at our production facilities	40	40	100.0%	*40*	*100.0%*
7	Acquisition of mines and mining right	397	277	69.8%	*271*	*68.4%*
8	Repayment on a portion of our bank borrowings	297	297	100.0%	*297*	*100.0%*
9	Working capital and other corporate purposes	198	198	100.0%	*198*	*100.0%*
	Total	1,983	1,400	70.6%	*1,215*	*61.3%*

Liquidity and financial resources

In 1H 2012, the Group's primary sources of funding were cash generated from operating and financing activities. As at 30 June 2012, our cash position remained strong. The cash and bank balances was HK$1,751.8 million (31 December 2011: HK$1,996.3 million). The Group's aggregate borrowings amounted to HK$3,059.4 million (31 December 2011: HK$3,290.3 million). The Group's net debt increased mildly to HK$1,307.6 million (31 December 2011: HK$1,294.0 million) and was mainly attributable to our capital expenditure for our production facilities in PRC and Gabon.

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.

Bank Borrowings

As at 30 June 2012, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	**30 June 2012** ***HK$ million***	31 December 2011 *HK$ million*
Secured borrowings	**174.6**	296.1
Unsecured borrowings	**2,884.8**	2,994.2
	3,059.4	3,290.3

Maturity profile	30 June 2012 HK$ million	31 December 2011 HK$ million
Repayable:		
On demand or within one year	**2,242.8**	1,791.1
After one year and within two years	**122.1**	797.1
After two years and within five years	**694.5**	702.1
	3,059.4	3,290.3

Currency denomination	30 June 2012 HK$ million	31 December 2011 HK$ million
Denominated in:		
RMB	**2,605.0**	2,870.0
USD	**454.4**	420.3
	3,059.4	3,290.3

As at 30 June 2012, borrowings as to the amounts of HK$598.1 million (31 December 2011: HK$351.7 million) and HK$2,461.3 million (31 December 2011: HK$2,938.6 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 4.3% 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 ("**PBOC**"), except the USD loan which carries interest at rates of LIBOR+0.85% and HIBOR/LIBOR/Cost of funds+3.8%.

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 2012, the Group's operations are primarily in the PRC and Gabon. Our products are sold to customers in PRC and to a much less extent to some other foreign countries. Our exposures to exchange rate fluctuations relate to export sales denominated in US dollars and certain XAF denominated costs incurred locally in Gabon. XAF is currently pegged to Euros. We expect that our Gabon operations will have further shipments to PRC in the second half 2012 and will be denominated in US dollars. We are also exposed to the exchange rate fluctuation of RMB against HKD as certain of our bank deposits in Hong Kong are denominated in RMB as we expect these deposits will be invested in the PRC. And to the extent we project to utilize the deposits outside the PRC, we will convert the denomination of the deposits to match the planned use. In the meantime, we did not enter into any foreign exchange contracts or derivatives 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.

Charge on group assets

As at 30 June 2012, the Group's property, plant, equipment and prepaid land lease payments with an aggregate net carrying amount of HK$239,070,000 (31 December 2011: HK$285,508,000) were pledged to secure certain of the Group's interest-bearing bank borrowings.

Contingent liabilities

As at 30 June 2012, the Group did not have any significant outstanding contingent liabilities.

Key financial ratios of the Group

	30 June 2012	31 December 2011
Current ratio	**1.1**	1.5
Quick ratio	**0.9**	1.2
Net Gearing ratio	**34.2%**	32.5%

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

The deterioration of current ratio and the quick ratio were mainly caused by the tight liquidity our downstream steel customers experienced. Steel mills continued to expand their production volume while the drop in the price of crude steel because of weakening demand slowed down their cash flows. Consequently, certain payments made to our Company were delayed during the reporting period. In addition, certain long term bank loans became falling due in the year after the end of the reporting period.

Human Resources

As at 30 June 2012, the Group had approximately 7,986 (2011: 8,289) full-time employees in HK and the PRC; and approximately 209 (2011: 202) 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 include comprehensive medical, life and disability insurance plans and retirement schemes are offered to the employees.

Outlook

In the first half of 2012, a noticeable slowdown in global recovery and the continuing debt crisis in the Eurozone countries have directly affected the market sentiment as well as global investors' confidence. Growth in PRC economy is also inevitably slowed down, with slackened demand for commodity products. The EMM industry sector will continue to encounter a difficult market in the second half of this year. To cope with such uncertainty in the global economy in the second half, we shall continue to adopt various measures and strengthen our management control, so as to reduce our overall operation costs.

CITIC Dameng, being the leading vertical integrated manganese company in PRC, shall be benefited from the continuing economic growth in PRC in long run. We are cautiously optimistic towards our Group's future development and be well-prepared for the increasingly volatile markets and intensifying competition. Our Group will continue to adhere to our strategic plans and by virtue of our abundant manganese resources, we will further strengthen our business and earning foundations, with a view to provide long-term and sustainable returns to our shareholders.

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 2012.

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 2012.

CONTINUING CONNECTED TRANSACTIONS

On 28 October 2010, CITIC Dameng Mining Industries Co., Limited ("**CITIC Dameng Mining**") entered into the Integrated Services Framework Agreement with Guangxi Dameng for providing basic welfare to the Company's employees at Daxin Mine by Guangxi Dameng and to provide water and electricity to Guangxi Dameng. Details of the Integrated Services Framework Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus.

On 28 October 2010, CITIC Dameng Mining entered into (i) Guangxi Guilin Dameng Agreement; (ii) Guangxi Liuzhou Agreement; (iii) Nanning Battery Plant Agreement; (iv) Guangxi Hezhou Agreement and (v) Guangxi Wuzhou Agreement (collectively, the "**Guangxi Dameng Framework Agreements**") with Guangxi Dameng's subsidiaries. Pursuant to the Guangxi Dameng Framework Agreements, CITIC Dameng Mining agreed to, amongst other things, purchase raw materials, manganese products, tools and equipment from, sell manganese products and raw materials to and receive processing services from Guangxi Dameng's subsidiaries. Details of the Guangxi Dameng Framework Agreements were disclosed in the section headed "Connected Transactions" in the Prospectus.

On 28 October 2010, CITIC Dameng Mining entered into a Master Construction and Outsourcing Agreement with Guangxi Xishan Mining Limited Company ("**Guangxi Xishan**") pursuant to which Guangxi Xishan agreed to provide underground mining services and construction of infrastructure for underground mining works to CITIC Dameng Mining while CITIC Dameng Mining agreed to provide fuels, water and electricity to Guangxi Xishan at Daxin Mine. Details of the Master Construction and Outsourcing Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus. During the six months ended 30 June 2012, the provision of underground mining services and construction of infrastructure for underground mining works amounted to HK$31,202,000 and HK$18,910,000 respectively. The provision of water and electricity and sales of fuel amounted to HK$1,744,000 and HK$598,000 respectively.

On 31 December 2010, the Company entered into a master agreement the China CITIC Bank and CITIC Bank International Limited by maintaining bank balances and deposits with China CITIC Bank and CITIC Bank International Limited. Details of the Master Agreement were disclosed in the Company's announcement dated 31 December 2010.

On 11 November 2011, Hui Xing Company entered into the Second Master Construction and Outsourcing Agreement with Guangxi Xishan, pursuant to which Guangxi Xishan agreed to provide the underground mining services and construction of infrastructure for underground mining work to Hui Xing Company while Hui Xing Company agreed to provide electricity, detonating cords and explosives to Guangxi Xishan at Changgou Manganese Mine. Details of the Second Master Construction and Outsourcing Agreement were disclosed in the circular of the Company dated 11 November 2011. During the six months ended 30 June 2012, the provision of underground mining services and construction of infrastructure for underground mining works amounted to HK$1,111,000 and HK$3,163,000 respectively.

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

UPDATE ON DIRECTORS' INFORMATION

The followings are changes in the role of the directors in the Company since the date of the 2011 annual report of the Company:

(1) Mr. Qiu Yiyong, the chairman and executive director of the Company, ceased to be the chairman of the remuneration committee but remained as a member of the committee and Mr. Mo Shijian, an independent non-executive director of the Company, was appointed as the chairman of the remuneration committee with effect from 2 March 2012.

(2) Mr. Qiu Yiyong, the chairman and executive director of the Company, ceased to be the chairman of the nomination committee but remained as a member of the committee and Mr. Tan Zhuzhong, an independent non-executive director of the Company, was appointed as the chairman of the nomination committee with effect from 2 March 2012.

REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2012 with the management of the Company.

By Order of the Board
Qiu Yiyong
Chairman

Hong Kong, 17 August 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*