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 2013

FINANCIAL HIGHLIGHTS

- Turnover amounted to HK$1,406.8 million for 1H 2013, representing a decrease of 9% from HK$1,538.8 million in 1H 2012.
- The Group's loss after tax amounted to HK$119.3 million for 1H 2013 (1H 2012: HK$154.7 million).
- Loss attributable to owners of the parent amounted to HK$89.8 million for 1H 2013 (1H 2012: HK$107.3 million).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
REVENUE	4	**1,406,827**	1,538,780
Cost of sales		**(1,246,360)**	(1,344,352)
Gross profit		**160,467**	194,428
Other income and gains	4	**77,861**	48,184
Selling and distribution expenses		**(42,214)**	(39,244)
Administrative expenses		**(211,400)**	(204,078)
Share option expenses		**(11,295)**	(19,214)
Other expenses		**(9,181)**	(33,880)
Finance costs	5	**(85,719)**	(74,873)
LOSS BEFORE TAX	6	**(121,481)**	(128,677)
Income tax credit/(expense)	7	**2,203**	(26,068)
LOSS FOR THE PERIOD		**(119,278)**	(154,745)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**29,712**	(36,449)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(89,566)**	(191,194)
Loss attributable to:			
Owners of the parent		**(89,796)**	(107,342)
Non-controlling interests		**(29,482)**	(47,403)
		(119,278)	(154,745)
Total comprehensive loss attributable to:			
Owners of the parent		**(62,106)**	(151,201)
Non-controlling interests		**(27,460)**	(39,993)
		(89,566)	(191,194)
Loss per share attributable to ordinary equity holders of the parent:	8		
– Basic		**(HK cents 2.97)**	(HK cents 3.55)
– Diluted		**(HK cents 2.97)**	(HK cents 3.55)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	**30 June 2013 HK$'000 (Unaudited)**	31 December 2012 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,635,606**	3,467,428
Investment properties		**85,082**	84,193
Prepaid land lease payments		**491,831**	485,329
Intangible assets		**864,482**	866,384
Available-for-sale equity investment		**4,662**	4,619
Deferred tax assets		**90,567**	87,825
Deposits and prepayments	*11*	**210,467**	181,515
Total non-current assets		**5,382,697**	5,177,293
CURRENT ASSETS			
Inventories		**835,578**	802,876
Trade and notes receivables	*10*	**834,771**	823,053
Prepayments, deposits and other receivables	*11*	**353,710**	304,441
Due from related companies		**35**	4,329
Tax recoverable		**10,281**	2,960
Pledged deposits		**217,218**	210,286
Cash and cash equivalents		**2,108,335**	1,988,071
Total current assets		**4,359,928**	4,136,016
CURRENT LIABILITIES			
Trade payables	*12*	**461,107**	524,706
Other payables and accruals		**704,225**	678,785
Interest-bearing bank and other borrowings	*13*	**1,117,093**	1,809,706
Short-term notes	*14*	**1,004,320**	248,780
Due to related companies		**21,763**	17,274
Total current liabilities		**3,308,508**	3,279,251
NET CURRENT ASSETS		**1,051,420**	856,765
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,434,117**	6,034,058

	Notes	**30 June 2013** *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**1,616,101**	1,770,019
Medium-term notes	*14*	**627,700**	–
Deferred tax liabilities		**210,950**	210,060
Other long-term liabilities		**10,075**	7,544
Deferred income		**135,090**	133,963
Total non-current liabilities		**2,599,916**	2,121,586
Net assets		**3,834,201**	3,912,472
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**302,480**	302,480
Reserves		**3,263,846**	3,314,657
		3,566,326	3,617,137
Non-controlling interests		**267,875**	295,335
Total equity		**3,834,201**	3,912,472

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

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 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 2012, 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 – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financing Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	*Amendments to a Number of HKFRSs Issued in June 2012*

Other than as further explained below regarding the impact of amendments to HKFRS 7, HKFRS 13, HKAS 1, HKAS 19 and Annual Improvements 2009-2011 Cycle, 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.

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments*: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32.

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.

HKAS 1 Amendments 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.

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 *Annual Improvements to HKFRSs 2009-2011* Cycle issued in June 2012 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 are expected to have a significant financial impact on the Group except for the following:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; make retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments – Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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 9	*Financial Instruments*[2]
HKFRS 9 Amendments and HKFRS 7 Amendments	*Mandatory Effective Date of* HKFRS 9 *and Transition Disclosure*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 Financial *Instruments: Recognition and Measurement*[1]
HK (IFRIC)-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014

2 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, manganese briquette 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 and Gabon)

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

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 and other borrowings, short-term notes, medium-term notes, 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 and Gabon	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2013 (Unaudited)							
Segment revenue:							
Sales to external customers	**60,964**	**93,938**	**1,140,662**	**47,928**	**63,335**	**–**	**1,406,827**
Intersegment sales	**67,601**	**38,767**	**–**	**–**	**224**	**(106,592)**	**–**
Other revenue	**13,027**	**–**	**31,871**	**1,699**	**14,439**	**–**	**61,036**
Total	**141,592**	**132,705**	**1,172,533**	**49,627**	**77,998**	**(106,592)**	**1,467,863**
Segment results	**(17,292)**	**(22,625)**	**38,978**	**(6,932)**	**11,970**	**–**	**4,099**
Reconciliations:							
Interest income							**16,825**
Corporate and other unallocated expenses							**(56,686)**
Finance costs							**(85,719)**
Loss before tax							**(121,481)**
Income tax credit							**2,203**
Loss for the period							**(119,278)**
Assets and liabilities							
Segment assets	**1,264,950**	**798,954**	**4,127,874**	**320,525**	**50,963**	**–**	**6,563,266**
Reconciliations:							
Corporate and other unallocated assets							**3,179,359**
Total assets							**9,742,625**
Segment liabilities	**405,247**	**538,064**	**986,736**	**62,571**	**20,714**	**–**	**2,013,332**
Reconciliations:							
Corporate and other unallocated liabilities							**3,895,092**
Total liabilities							**5,908,424**

	Manganese mining and ore processing		Manganese downstream processing	Non-manganese processing	Others		
	PRC	Gabon	PRC	PRC	PRC and Gabon	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	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

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	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**1,406,827**	1,538,780
Other income and gains		
Interest income	**16,825**	18,994
Gain on disposal of items of property, plant and equipment	**4,767**	4,133
Subsidy income	**43,315**	7,300
Sales of scraps	**4,579**	13,621
Rental income	**5,553**	873
Others	**2,822**	3,263
	77,861	48,184

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**104,885**	83,029
Finance costs for discounted notes receivable	**1,536**	370
Less: Interest capitalised	**(20,702)**	(8,526)
	85,719	74,873

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**1,219,223**	1,328,699
Depreciation	**151,712**	132,074
Amortisation of prepaid land lease payments	**6,271**	6,199
Amortisation of intangible assets	**9,976**	8,469
Auditors' remuneration	**1,498**	1,484
Minimum lease payments under operating leases, land and buildings	**3,895**	3,762
Equity-settled share option expenses	**11,295**	19,214
Employee benefit expense	**191,058**	166,296
Gain on disposal of items of property, plant and equipment*	**(4,767)**	(4,133)
Foreign exchange differences, net	**814**	25,539
Write-down of inventories to net realisable value, net#	**27,137**	15,653
Impairment of trade and other receivables, net*	**6,318**	5,683

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

* Included in "(Other income and gains)" (note 4) or "Other expense" 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 credit/(expenses) for the reporting period is as follows:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	**(679)**	(8,008)
Deferred	**2,882**	(18,060)
Total tax credit/(charge) for the period	**2,203**	(26,068)

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax treatment available to CITIC Dameng Mining which is recognised as a High and New Technology Enterprise and is entitled to a preferential CIT rate of 15%, other companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income. The preferential tax treatment will expire in September 2013 and the Group is in the process of renewing the High and New Technology certificate.

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

	Six months ended 30 June	
The calculation of basic and diluted loss per share are based on:	**2013** **(Unaudited)** ***HK$'000***	2012 (Unaudited) *HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**89,796**	107,342
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss 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 2013 nor the six months ended 30 June 2012. No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2013 nor the six months ended 30 June 2012 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (2012: Nil).

10. TRADE AND NOTES RECEIVABLES

	30 June 2013 ***HK$'000*** **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
Trade receivables	**645,329**	600,136
Notes receivables	**229,514**	255,512
	874,843	855,648
Less: Provision for impairment	**(40,072)**	(32,595)
	834,771	823,053

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment is required either in advance or upon delivery. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one month, extended to not more than 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 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one month	**369,555**	259,136
One to two months	**166,969**	248,660
Two to three months	**150,754**	99,137
Over three months	**147,493**	216,120
	834,771	823,053

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At 1 January 2013/1 January 2012	**32,595**	15,006
Impairment losses recognised	**10,335**	18,181
Impairment losses reversed	**(3,231)**	(887)
Write-off	**–**	(30)
Exchange realignment	**373**	325
At 30 June 2013/31 December 2012	**40,072**	32,595

Included in the above provision for impairment of trade and notes receivables are provisions for individually impaired trade receivables of HK$40,072,000 (31 December 2012: HK$32,595,000) with a carrying amount before provision of approximately HK$63,780,000 (31 December 2012: HK$47,792,000) as at 30 June 2013. 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 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**687,278**	606,933
Less than three months past due	**79,972**	188,317
Over three months past due	**67,521**	27,803
Total	**834,771**	823,053

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.

As at 30 June 2013, the Group has pledged notes receivable of HK$1,193,000 (31 December 2012: HK$33,884,000) to secure bank loans (note 13).

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Non-current portion

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Deposits	**108,499**	105,130
Prepayments	**101,968**	76,385
	210,467	181,515

Current portion

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Prepayments	**43,780**	33,468
Deposits and other receivables	**259,245**	220,753
Loan to a third party (net of provision)	**50,685**	50,220
	353,710	304,441

The loan to a third party was due on 12 October 2012 and an impairment loss of HK$61,470,000 has been provided for it as at 31 December 2012 and 30 June 2013. The loan carries interest at 6.56% per annum but the Group has not recorded any interest income in its consolidated statement of comprehensive income since its due date.

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 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one month	**138,140**	188,486
One to two months	**85,186**	40,727
Two to three months	**59,832**	104,776
Over three months	**177,949**	190,717
	461,107	524,706

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2013			31 December 2012		
	Effective interest rate (%)	**Maturity**	***HK$'000*** **(Unaudited)**	Effective interest rate (%)	Maturity	*HK$'000* (Audited)
Current						
Bank loans – secured *(note (a))*	**6.00**	**2013-2014**	**35,151**	5.00-6.89	2013	99,512
Bank loans – unsecured	**5.99-6.30, LIBOR+2.00**	**2013-2014**	**715,428**	5.99-6.89, LIBOR+0.85	2013	896,149
Current portion of long-term bank loans – secured *(note (a))*	**–**	**–**	**–**	6.55	2013	62,195
Current portion of long-term bank loans – unsecured	**5.99-6.65**	**2013-2014**	**239,781**	5.99-6.65	2013	743,852
Long-term bank loans with a repayment on demand clause – secured *(note (a))*	**6.15**	**2015**	**125,540**	–	–	–
Other loans – secured *(note (a))*	**6.00**	**2013-2014**	**1,193**	5.04-7.00	2013	7,998
			1,117,093			1,809,706
Non-current						
Bank loans – secured *(note (a))*	**LIBOR+2.10**	**2014-2017**	**610,526**	6.55, LIBOR+2.10	2014-2017	687,827
Bank loans – unsecured	**5.76-6.72**	**2014-2016**	**1,005,575**	5.76-6.72	2014-2016	1,082,192
			1,616,101			1,770,019
			2,733,194			3,579,725

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,115,900**	1,801,708
In the second year	**349,044**	405,889
In the third to fifth years, inclusive	**1,267,057**	1,364,130
	2,732,001	3,571,727
Other loans repayable:		
Within one year or on demand	**1,193**	7,998
	2,733,194	3,579,725

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

	Notes	**30 June 2013**	31 December 2012
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Property, plant and equipment		**244,548**	143,742
Prepaid land lease payments		**45,140**	45,273
Notes receivable	*10*	**1,193**	33,884
Pledged deposits		**170,954**	195,996
		461,835	418,895

(b) Except for bank loans of HK$685,700,000 (31 December 2012: HK$684,636,000) which are denominated in United States dollars, all borrowings were denominated in Renminbi.

14. SHORT-TERM NOTES AND MEDIUM-TERM NOTES

The carrying amount of the Group's short-term notes and medium-term notes are as follows:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Short-term notes		
The First Tranche Notes – Nominal value of 5.2% fixed rate notes maturing in November 2013 – unsecured	**251,080**	248,780
The Second Tranche Notes – Nominal value of 4.48% fixed rate notes maturing in May 2014 – unsecured	**753,240**	–
	1,004,320	248,780
Medium-term notes		
The First Tranche Notes – Nominal value of 5.0% fixed rate notes maturing in April 2016 – unsecured	**627,700**	–

In November 2012, the Group completed the registration with National Association of Financial Market Institutional Investors of a RMB800 million unsecured short-term notes facility issuable in two years from the date of registration. In December 2012, the Group issued the First Tranche Notes of RMB200 million (equivalent to HK$251,080,000) in the PRC with a tenor of one year, and carrying interest at a fixed rate of 5.2% per annum. In May 2013, the Group issued the remaining Tranche Notes of RMB600 million (equivalent to HK$753,240,000) in the PRC with a tenor of one year, and carrying interest at a fixed rate of 4.48% per annum.

In April 2013, the Group completed the registration with National Association of Financial Market Institutional Investors of a RMB1,000 million unsecured medium-term notes facility issuable in two years from the date of registration. In April 2013, the Group issued the First Tranche Notes of RMB500 million (equivalent to HK$627,700,000) in the PRC with a tenor of three years, and carrying interest at a fixed rate of 5.0% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the reporting period, momentum of global economy was still weak and yet to be fully recovered. Since the first quarter of 2013, it had become more apparent that Chinese economic growth was cooling down. Chinese steel production growth has somewhat slowed down; supply in the steel market still overshadows demand. Steel overcapacity, volatility in steel pricing, the European debt crisis and its potential global impact, and sluggish growth in the emerging markets are deterrents for the steel industry in the PRC and results in sluggish demand of steel products. This in turn put tremendous downward pressures to the upstream industry of steel, including in particular our major product, EMM. This situation became more prominent in the second quarter of 2013.

In summary, the reporting period indicates that this year is the second consecutive difficult year since our establishment in the year 2005 and we recorded a loss for the six months ended 30 June 2013. The consolidated net loss attributable to owners of the parent was HK$89.8 million (1H 2012: loss of HK$107.3 million). In the six months ended 30 June 2013, we could not recover from the adversity we suffered in 2012 due to the following reasons:

(1) Overcapacity coupled with shadowing sluggish demand of the steel industry further pushed down the selling prices of our major products. Average selling price of our EMM dropped by 12% from the already low level recorded in 1H 2012.

(2) To enhance our competitiveness in the turbulent market, certain cost control measures had been implemented to improve efficiency and to reduce our cost by controlling raw materials consumption and electricity usage. In addition, prices of certain of our raw materials including sulphur dropped as a result of weaker demand. However, these combined cost savings was dwarfed by the significant drop in the average selling prices of our products.

Comparison with six months ended 30 June 2012

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

	Six months ended 30 June							
	2013				2012			
	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								
Gabon ore	**82,632**	**1,137**	**93,938**	**6.7**	23,493	1,174	27,586	1.8
Natural discharging manganese powder and sand	**12,975**	**2,701**	**35,044**	**2.5**	10,118	3,112	31,485	2.0
Manganese concentrate	**39,075**	**663**	**25,920**	**1.8**	73,919	620	45,855	3.0
Sub-Total	**134,682**	**1,150**	**154,902**	**11.0**	107,530	976	104,926	6.8
Manganese downstream processing								
EMM	**50,270**	**14,328**	**720,252**	**51.2**	51,558	16,203	835,397	54.3
Manganese briquette	**5,286**	**15,095**	**79,793**	**5.7**	577	16,757	9,669	0.6
	55,556	**14,401**	**800,045**	**56.9**	52,135	16,209	845,066	54.9
Silicomanganese alloy	**28,693**	**7,443**	**213,567**	**15.2**	25,162	7,954	200,147	13.0
EMD	**9,187**	**9,043**	**83,085**	**5.9**	9,824	9,275	91,120	5.9
Manganese sulfate	**8,938**	**4,513**	**40,333**	**2.9**	8,560	4,407	37,726	2.5
Others	**131**	**27,725**	**3,632**	**0.2**	1,115	7,986	8,904	0.6
Sub-Total	**102,505**	**11,128**	**1,140,662**	**81.1**	96,796	12,221	1,182,963	76.9
Non-manganese processing								
Lithium cobalt oxide	**263**	**182,236**	**47,928**	**3.4**	232	202,013	46,867	3.0
High carbon ferrochromium	**–**	**–**	**–**	**–**	4,865	9,400	45,732	3.0
Others	**–**	**–**	**–**	**–**	117	6,248	731	0.1
Sub-Total	**263**	**182,236**	**47,928**	**3.4**	5,214	17,900	93,330	6.1
Other business								
Trading	**3,435**	**18,438**	**63,335**	**4.5**	31,134	5,061	157,561	10.2
Total	**240,885**	**5,840**	**1,406,827**	**100.0**	240,674	6,394	1,538,780	100.0

Revenue

In 1H 2013, the Group's revenue was HK$1,406.8 million (1H 2012: HK$1,538.8 million), which represented a decrease of 8.6% as compared with 1H 2012. Although there was a mild rebound of average selling price of manganese products in the last quarter of 2012, the improving trend could not sustain and entered in the reverse gear starting from the second quarter of 2013. In terms of overall quantity, our production level recorded increases as a result of our capacity expansion. The combined effects result in a drop of our total revenue.

Manganese mining and ore processing – Revenue of manganese mining and ore processing segment increased by 47.7% to HK$154.9 million (1H 2012: HK$104.9 million) mainly attributable to the stable transportation of our Gabon ore from the mine to our customers in the PRC starting from the first quarter of this year. On the contrary, sales of Gabon ore in 2012 only related to those from prior year trial production.

At the same time, sales volume of manganese concentrate decreased by 47.1% to 39,075 tonnes (1H 2012: 73,919 tonnes) as we withheld sales of our Hui Xing ore due to the sluggish demand in its vicinity and, as an alternative, the unsold ore can be kept for our own future use.

Manganese downstream processing – Revenue from manganese downstream processing dropped slightly by 3.6% from HK$1,183.0 million to HK$1,140.7 million as the effect of the drop of average selling price of 11.6% of our major product EMM was to a large extent compensated by the slight increase in the combined sales quantities of EMM and manganese briquette. Manganese briquette is a new product introduced in the year 2012 and is substantially a compressed form of EMM in regular shape. With more production of manganese briquette, less EMM were sold in 1H 2013.

Non-manganese processing – Revenue from high carbon ferrochromium in 1H 2012 was the sale of the remaining stocks of Qinzhou Plant which completed its conversion of facilities into silicomanganese production in late 2011. All the remaining stocks of ferrochromium had been sold in 2012.

Trading – sales mainly comprising EMM and manganese ore dropped substantially in 1H 2013 amidst the faltering market.

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							
	2013				2012			
	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								
Gabon ore	**71,896**	**870**	**22,042**	**23.5**	31,136	1,325	(3,550)	(12.9)
Natural discharging manganese powder and sand	**9,472**	**730**	**25,572**	**73.0**	7,210	713	24,275	77.1
Manganese concentrate	**5,148**	**132**	**20,772**	**80.1**	15,729	213	30,126	65.7
Sub-Total	**86,516**	**642**	**68,386**	**44.1**	54,075	503	50,851	48.5
Manganese downstream processing								
EMM	**639,608**	**12,723**	**80,644**	**11.2**	719,803	13,961	115,594	13.8
Manganese briquette	**70,029**	**13,248**	**9,764**	**12.2**	9,295	16,109	374	3.9
	709,637	**12,773**	**90,408**	**11.3**	729,098	13,985	115,968	13.7
Silicomanganese alloy	**211,959**	**7,387**	**1,608**	**0.8**	194,781	7,741	5,366	2.7
EMD	**69,521**	**7,567**	**13,564**	**16.3**	77,185	7,857	13,935	15.3
Manganese sulfate	**31,501**	**3,524**	**8,832**	**21.9**	29,115	3,401	8,611	22.8
Others	**3,104**	**23,695**	**528**	**14.5**	4,593	4,119	4,311	48.4
Sub-Total	**1,025,722**	**10,007**	**114,940**	**10.1**	1,034,772	10,690	148,191	12.5
Non-manganese processing								
Lithium cobalt oxide	**45,429**	**172,734**	**2,499**	**5.2**	41,764	180,017	5,103	10.9
High carbon ferrochromium	**–**	**–**	**–**	**–**	44,130	9,071	1,602	3.5
Others	**–**	**–**	**–**	**–**	35	299	696	95.2
Sub-Total	**45,429**	**172,734**	**2,499**	**5.2**	85,929	16,480	7,401	7.9
Other business								
Trading	**61,556**	**17,920**	**1,779**	**2.8**	153,923	4,944	3,638	2.3
Inventory provision	**27,137**		**(27,137)**		15,653		(15,653)	
Total	**1,246,360**		**160,467**	**11.4**	1,344,352		194,428	12.6

Cost of Sales

Cost of sales decreased by HK$98.0 million or 7.3%, to HK$1,246.4 million in 1H 2013, as compared to HK$1,344.4 million in 1H 2012. This cost decrease was primarily in line with our decrease in revenue.

The unit cost of sales of manganese mining and ore processing segment during 1H 2013 increased by 27.6% to HK$642/tonne (1H 2012: HK$503/tonne). This increase was mainly attributable to the shift of sales mix to Gabon ore which commands a higher unit cost particularly for the logistics from Gabon to the customers in the PRC. Manganese concentrate relates to those ores mined in the PRC, and its unit cost of sales decreased by HK$81/tonne to HK$132/tonne (1H 2012: HK$213/tonne) due to the temporary sales suspension of ores mined in Hui Xing Plant which carries a higher unit cost of underground mining than our Guangxi mines.

In 1H 2013, unit cost of EMM decreased by 8.9% to HK$12,723/tonne (1H 2012: HK$13,961/tonne). This was mainly attributable to the decrease in the unit costs of auxiliary materials such as sulfuric acid and selenium dioxide and to a lesser extent the improvement in production efficiency.

Unit cost of silicomanganese alloy slightly decreased by 4.6% to HK$7,387/tonne (1H 2012: HK$7,741/tonne) and was in line with price dip of certain raw materials.

Gross Profit

In 1H 2013, the Group recorded a gross profit of HK$160.5 million (1H 2012: HK$194.4 million), representing a decrease of HK$33.9 million or 17.4%. The Group's overall gross profit margin was 11.4%, representing a decrease of 1.2% from 12.6% of 1H 2012. Deteriorated gross profit margin was mainly attributable to drop in gross profit margin of EMM from 13.8% to 11.2%, and the additional mark-to-market inventory provision by HK$11.4 million to HK$27.1 million (1H 2012: HK$15.7 million).

Selling and Distribution Expenses

The Group's selling and distribution expenses in 1H 2013 increased by 7.7% to HK$42.2 million (1H 2012: HK$39.2 million) as there was (1) a shift of EMM sales mix to export following the abolishment of PRC custom duty on EMM export with effect from 1 January 2013 and (2) more sales of manganese briquette which is our export product.

Administrative Expenses

Administrative expenses increased by 3.6% to HK$211.4 million for 1H 2013 (1H 2012: HK$204.1 million). This was mainly attributable to the costs of redundant employees of additional facilities which ceased production and the appreciation of RMB against HKD during the period.

Finance Cost

For 1H 2013, our Group's finance cost was HK$85.7 million (1H 2012: HK$74.9 million), representing an increase of 14.4%. This was mainly due to the increase in bank loans and other interest bearing liabilities (including short-term and medium-term notes).

Other Expenses

Other expenses decreased by 72.9% to HK$9.2 million (1H 2012: HK$33.9 million), mainly because of the drop in foreign exchange losses recorded by our Gabon subsidiary which prepared financial statements in XAF.

Income Tax

We recorded income tax credit of HK$2.2 million for the period ended 30 June 2013 (1H 2012: tax expenses of HK$26.1 million) primarily due to deferred tax credit for inventory and trade receivables provision made. Furthermore, no income tax was provided by our major subsidiary (1H 2012: HK$7.3 million) during the period. In 1H 2012, the tax expense mainly related to certain subsidiaries write off of deferred tax asset arising from tax losses brought forward from previous years.

Loss Attributable to Owners of the Parent

For 1H 2013, the Group's loss attributable to owners of the parent was HK$89.8 million (1H 2012: HK$107.3 million).

Loss per share

For 1H 2013, loss per share attributable to ordinary equity holders of the Company was 2.97 HK cents (1H 2012: 3.55 HK cents).

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Use of Proceeds from IPO

As at 30 June 2013, we have utilized the net proceeds raised from the Initial Public Offering ("**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 30.06.2013 *(HK$ Million)*	% utilized	*Amount utilized up to 31.12.2012* *(HK$ Million)*	*% utilized*
1	Expansion project at Daxin EMD Plant	79	70	88.6%	*60*	*75.9%*
2	Expansion project of underground mining and ore processing at Daxin Mine	278	123	44.2%	*114*	*41.0%*
3	Expansion and construction projects of our EMM production facilities	516	417	80.8%	*381*	*73.8%*
4	Construction project at Chongzuo Base	59	11	18.6%	*11*	*18.6%*
5	Development of Bembele 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	280	70.5%	*277*	*69.8%*
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	1,555	78.4%	*1,497*	*75.5%*

Liquidity and financial resources

In 1H 2013, the Group's primary sources of funding were cash generated from financing activities. As at 30 June 2013, our cash position remained strong. The cash and bank balances including pledged deposits was HK$2,325.5 million (31 December 2012: HK$2,198.4 million). The Group's aggregate borrowings (inclusive of short-term notes and medium-term notes) amounted to HK$4,365.2 million (31 December 2012: HK$3,828.5 million). The Group's net debt increased to HK$2,039.7 million (31 December 2012: HK$1,630.1 million) and was mainly attributable to our capital expenditure and loss incurred in the period.

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

Bank and other Borrowings

As at 30 June 2013, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	**30 June 2013** *HK$ million*	31 December 2012 *HK$ million*
Secured borrowings	**772.4**	857.5
Unsecured borrowings	**3,592.8**	2,971.0
	4,365.2	3,828.5

Maturity profile	**30 June 2013** *HK$ million*	31 December 2012 *HK$ million*
Repayable:		
On demand or within one year	**2,121.4**	2,058.5
After one year and within two years	**349.0**	405.9
After two years and within five years	**1,894.8**	1,364.1
	4,365.2	3,828.5

Currency denomination	**30 June 2013** *HK$ million*	31 December 2012 *HK$ million*
Denominated in:		
RMB	**3,679.5**	3,143.9
USD	**685.7**	684.6
	4,365.2	3,828.5

As at 30 June 2013, borrowings as to the amounts of HK$2,808.3 million (31 December 2012: HK$2,033.8 million) and HK$1,556.9 million (31 December 2012: HK$1,794.7 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 4.48% to 6.32%. 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 loans which carry interest at rates of LIBOR+2.1% and LIBOR+2.0%.

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 2013, the Group's operations are primarily in Hong Kong, the PRC and Gabon. Our products are sold to customers in PRC and to a less extent to some other foreign countries. Our exposures to exchange rate fluctuations relate to our RMB bank deposits maintained in Hong Kong, sales denominated in US dollars and certain XAF denominated costs incurred locally in Gabon. XAF is currently pegged to Euros. 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 alleviate any major impact on our business due to foreign exchange rate fluctuations.

Charge on group assets

As at 30 June 2013, the Group's property, plant, equipment, prepaid land lease payments and notes receivable with an aggregate net carrying amount of HK$290.9 million (31 December 2012: HK$222.9 million) were pledged to secure certain of the Group's interest-bearing bank and other borrowings. Similarly, bank balances of HK$171.0 million (31 December 2012: HK$196.0 million) were pledged to secure certain of the Group's bank and other borrowings.

Contingent liabilities

As at 30 June 2013, the Group did not have any significant outstanding contingent liabilities.

Key Financial Ratios of the Group

	30 June 2013	31 December 2012
Current ratio	**1.32**	1.26
Quick ratio	**1.07**	1.02
Net Gearing ratio	**57.2%**	45.1%

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

The improvement of current ratio and the quick ratio were mainly due to the issue of RMB500M medium-term notes in April 2013. On the other hand, deteriorated net gearing ratio was mainly caused by the continued outflow of cash resources into the construction of projects brought forward from prior years including Daxin upstream mining, expanded downstream EMM and EMD capacity together with our loss suffered.

Human Resources

As at 30 June 2013, the Group had approximately 8,174 (31 December 2012: 8,793) full-time employees in HK and the PRC; and approximately 244 (31 December 2012: 239) 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 second half of the year, there are signs that the Chinese economy is emerging from a slowdown with commodity markets regaining some vigour. Commodity buying since early third quarter of the year puts a halt to the slide in the first few months of the year, when investors were worried with the retarding economic growth of the PRC. Import data of the PRC released after our report period, coupled with improving prospects for the US and European economies, has added some optimism to the market and likely to boost commodity prices in the near future. However, the problems to the manufacturing sector like steel and cement are yet to be over and certain related data, including the falling producer price index in July, may be a hint of uneven economic recovery in the PRC. Ambience of steel sector can still be described as wait-and-see against the mixed backdrop of the PRC top leadership's repeated pledges to maintain steady economic growth but at the same time pushing the growth toward more reliant on consumer spending and less on government infrastructure that typically are major steel users. China's steel industry is still facing the overcapacity issue and the prices of steel products are under pressure. Accordingly, as an upstream supplier of steel, we continue to be cautious towards our Group's operating performance in the remaining period of the year and to strive to reduce our operating costs and minimize loss to the shareholders while our products are in price trough. In the longer term, we, being the leading vertical integrated manganese company in the PRC with abundant resources in both the PRC and Gabon Republic, will adhere to our strategic plans to provide 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 2013.

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 2013.

REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2013 with the management of the Company.

CHANGE OF INFORMATION OF DIRECTOR

On 23 April 2013, Mr. Tian Yuchuan, the chief executive officer and executive director of the Company, was appointed as an independent non-executive director of China Renewable Energy Investment Limited (Stock Code: 987).

FORWARD LOOKING STATEMENTS

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

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

Hong Kong, 21 August 2013

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*