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DAMENG

CITIC Dameng Holdings Limited

中信大錳控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1091)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK$5,802.5 million in 2019, representing a decrease of 13.9% from HK$6,736.2 million in 2018.
- Gross profit amounted to HK$614.9 million in 2019, representing a decrease of 27.9% from HK$852.4 million in 2018. Gross profit margin was 10.6% in 2019, representing a decrease of 2.1% from 12.7% in 2018.
- Loss attributable to owners of the parent was HK$202.3 million in 2019, representing an adverse turnaround from a profit of HK$330.9 million in 2018.
- As at 31 December 2019, net gearing ratio increased to 107.7% (2018: 96.0%).

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

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

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

CONTROL COSTS AND OPTIMISED PERFORMANCE

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

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

OPTIMISED REARRANGEMENT AND NEW INNOVATION

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

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

STRENGTHEN RISK CONTROL AND IMPROVE STRATEGY

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

CARE FOR PEOPLE AND SAFETY IS TOP PRIORITY

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

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

PROMOTE TRADITION AND CONTRIBUTE TO SOCIETY

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

SINCERE GRATITUDE AND BUILDING THE FUTURE TOGETHER

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

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

Guo Aimin
Chairman

23 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	3	**5,802,457**	6,736,228
Cost of sales		**(5,187,541)**	(5,883,855)
Gross profit		**614,916**	852,373
Other income and gains	3	**244,342**	322,351
Selling and distribution expenses		**(92,220)**	(111,069)
Administrative expenses		**(396,386)**	(449,085)
Impairment losses on property, plant and equipment and mining rights		**(95,381)**	(34,069)
Impairment losses on financial assets, net		**(140,462)**	(14,662)
Finance costs	4	**(225,894)**	(237,654)
Other expenses		**(57,770)**	(19,541)
Share of profits and losses of:			
– Associates		**(67,548)**	(18,439)
– A joint venture		**(763)**	53,780
(LOSS)/PROFIT BEFORE TAX	5	**(217,166)**	343,985
Income tax expense	6	**(16,832)**	(7,130)
(LOSS)/PROFIT FOR THE YEAR		**(233,998)**	336,855

	Note	2019 HK$'000	2018 HK$'000
OTHER COMPREHENSIVE (LOSS)/INCOME:			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
– Changes in fair value of financial assets at fair value through other comprehensive income		**(5,332)**	–
– Exchange differences on translation of foreign operations		**(53,844)**	(135,694)
– Share of other comprehensive income of an associate		**1,602**	–
– Cash flow hedges, net of tax		**(2,200)**	(1,777)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(293,772)**	199,384
(Loss)/profit attributable to:			
Owners of the parent		**(202,338)**	330,931
Non-controlling interests		**(31,660)**	5,924
		(233,998)	336,855
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(261,886)**	202,155
Non-controlling interests		**(31,886)**	(2,771)
		(293,772)	199,384
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
Basic		**HK$(0.0590)**	HK$0.0965
Diluted		**HK$(0.0590)**	HK$0.0965

The Board does not recommend the payment of any dividend for the year 2019. Details of the dividends proposed for the year 2018 are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,670,964**	2,726,320
Investment properties		**94,931**	96,552
Prepaid land lease payments		**–**	440,975
Right-of-use assets		**612,486**	–
Intangible assets		**464,093**	529,358
Investments in associates		**812,456**	886,382
Investment in a joint venture		**122,919**	125,534
Due from an associate		**34,766**	–
Deferred tax assets		**30,251**	34,037
Prepayments and other assets		**107,927**	183,999
Total non-current assets		**4,950,793**	5,023,157
CURRENT ASSETS			
Inventories		**518,396**	685,029
Trade and notes receivables	*9*	**1,697,341**	1,923,819
Prepayments, other receivables and other assets		**386,304**	534,875
Due from related companies		**17,356**	35,064
Due from associates		**–**	17,854
Due from a joint venture		**43,779**	1,412
Tax recoverable		**488**	496
Financial assets at fair value through profit or loss		**–**	7,931
Derivative financial instruments		**13,726**	–
Pledged deposits		**35,616**	119,074
Cash and cash equivalents		**1,103,606**	1,269,668
Total current assets		**3,816,612**	4,595,222

	Notes	**2019**	2018
		HK$'000	*HK$'000*
CURRENT LIABILITIES			
Trade and notes payables	*10*	**690,498**	778,706
Other payables and accruals		**771,767**	993,005
Derivative financial instruments		**4,835**	699
Interest-bearing bank and other borrowings	*11*	**3,511,908**	3,171,060
Due to related companies		**3,971**	8,575
Tax payable		**6,830**	14,815
Total current liabilities		**4,989,809**	4,966,860
NET CURRENT LIABILITIES		**(1,173,197)**	(371,638)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,777,596**	4,651,519
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*11*	**646,199**	1,192,235
Derivative financial instruments		**1,580**	1,232
Deferred tax liabilities		**191,741**	186,463
Other long-term liabilities		**42,572**	28,118
Deferred income		**57,078**	76,988
Total non-current liabilities		**939,170**	1,485,036
Net assets		**2,838,426**	3,166,483
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**342,846**	342,846
Reserves		**2,460,893**	2,757,064
		2,803,739	3,099,910
Non-controlling interests		**34,687**	66,573
Total equity		**2,838,426**	3,166,483

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1.1 BASIS OF PREPARATION

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

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

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

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

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

(c) At 31 December 2019, certain PRC banks had confirmed to the Group in writing regarding their agreements to renew their short-term bank loans granted to the Group totalling HK$2,639.3 million on repayment when due, subject to the condition that the Group will be able to repay the total interest due upon the respective repayment dates. Based on the above-mentioned agreements and past experience, the directors consider it is highly probable that the Group can extend an adequate amount of short-term bank loans for a further year when fall due to maintain sufficient working capital of the Group.

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

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

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

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of prepaid land lease payments and property, plant and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of HK$155,121,000 that were reclassified from property, plant and equipment and land lease payments in aggregate of HK$452,680,000 that were reclassified from prepaid land lease payments and prepayments, other receivables and other assets.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

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

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

As a lessee – Leases previously classified as finance leases

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

Financial impact at 1 January 2019

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

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

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	46,222
Weighted average incremental borrowing rate as at 1 January 2019	5.2%
Discounted operating lease commitments as at 1 January 2019	41,499
Add: Finance lease liabilities recognised as at 31 December 2018	252,074
Lease liabilities as at 1 January 2019	293,573

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2. OPERATING SEGMENT INFORMATION

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

(a) Manganese mining segment (PRC and Gabon)

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

(b) EMM and alloying materials production segment (PRC)

The EMM and alloying materials production segment comprises mining and processing ores used in hydrometallurgical processing for/and production of Electrolytic Manganese Metal ("**EMM**") and manganese briquette, and pyrometallurgical processing for production of silicomanganese alloys;

(c) Battery materials production segment (PRC)

The battery materials production segment engages in the manufacture and sale of battery materials products, including Electrolytic Manganese Dioxide ("**EMD**"), manganese sulfate, lithium manganese oxide and lithium nickel cobalt manganese oxide; and

(d) Other business segment (PRC and HK)

The other business segment comprises, principally, the trading of various commodities such as manganese ores, EMM, manganese alloys and non-manganese metals, sales of scraps and rental of investment properties and leasehold lands.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, non-lease-related finance costs, fair value gain/loss from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings (other than lease liabilities), deferred tax liabilities, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

	Manganese mining PRC HK$'000	Gabon HK$'000	EMM and alloying materials production PRC HK$'000	Battery materials production PRC HK$'000	Other business PRC and HK HK$'000	Total HK$'000
Year ended 31 December 2019						
Segment revenue						
Sales to external customers	122,366	–	3,259,384	664,974	1,755,733	5,802,457
Intersegment sales	–	–	–	–	482,217	482,217
Other revenue	753	104,331	42,263	5,090	55,261	207,698
	123,119	104,331	3,301,647	670,064	2,293,211	6,492,372
Reconciliation:						
Elimination of intersegment sales						(482,217)
Revenue from operations						6,010,155
Segment results	(35,830)	62,183	144,896	70,363	(119,806)	121,806
Reconciliation:						
Interest income						36,644
Corporate and other unallocated expenses						(157,685)
Finance costs (other than interest on lease liabilities)						(217,931)
Loss before tax						(217,166)
Income tax expense						(16,832)
Loss for the year						(233,998)
Assets and liabilities						
Segment assets	982,234	144,907	4,156,207	969,035	1,264,364	7,516,747
Reconciliation:						
Corporate and other unallocated assets						1,250,658
Total assets						8,767,405
Segment liabilities	412,522	17,062	1,047,069	137,005	20,726	1,634,384
Reconciliation:						
Corporate and other unallocated liabilities						4,294,595
Total liabilities						5,928,979
Other segment information:						
Depreciation and amortisation	23,351	10,258	305,626	38,796	5,294	383,325
Unallocated depreciation and amortisation						3,694
Total depreciation and amortisation						387,019
Capital expenditure*	96,783	–	388,108	86,805	1,003	572,699
Unallocated capital expenditure						2,586
Total capital expenditure						575,285
Impairment losses recognised in profit or loss	44,291	44,808	82,978	18,966	108,163	299,206
(Loss)/gain on disposal of items of property, plant and equipment	(329)	–	14,198	(1,223)	(430)	12,216
Investments in associates	–	–	292,767	–	519,689	812,456
Investment in a joint venture	–	–	–	122,919	–	122,919
Share of losses of associates	–	–	(19,947)	–	(47,601)	(67,548)
Share of losses of a joint venture	–	–	–	(763)	–	(763)

* Capital expenditure consists of additions to property, plant and equipment, investment properties, right-of-use assets and intangible assets.

	Manganese mining PRC	Gabon	EMM and alloying materials production PRC	Battery materials production PRC	Other business PRC and HK	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018						
Segment revenue:						
Sales to external customers	159,666	53,631	3,429,181	682,059	2,411,691	6,736,228
Intersegment sales	–	–	–	–	245,234	245,234
Other revenue	94,058	118,302	25,068	2,542	51,763	291,733
	253,724	171,933	3,454,249	684,601	2,708,688	7,273,195
Reconciliation:						
Elimination of intersegment sales						(245,234)
Revenue from operations						7,027,961
Segment results	8,426	111,445	405,914	104,904	18,953	649,642
Reconciliation:						
Interest income						30,618
Corporate and other unallocated expenses						(98,621)
Finance costs						(237,654)
Profit before tax						343,985
Income tax expense						(7,130)
Profit for the year						336,855
Assets and liabilities						
Segment assets	1,033,507	280,483	4,186,026	942,199	1,654,869	8,097,084
Reconciliation:						
Corporate and other unallocated assets						1,521,295
Total assets						9,618,379
Segment liabilities	434,286	61,088	900,925	171,691	234,909	1,802,899
Reconciliation:						
Corporate and other unallocated liabilities						4,648,997
Total liabilities						6,451,896
Other segment information:						
Depreciation and amortisation	33,771	10,387	279,700	35,181	499	359,538
Unallocated depreciation and amortisation						4,369
Total depreciation and amortisation						363,907
Capital expenditure	14,989	–	227,630	73,533	1,094	317,246
Unallocated capital expenditure						4,007
Total capital expenditure						321,253
Impairment losses recognised in profit or loss	18,450	–	27,615	12,077	1,359	59,501
Loss on disposal of items of property, plant and equipment	100	–	5,081	728	10	5,919
Investments in associates	–	–	304,719	–	581,663	886,382
Investment in a joint venture	–	–	–	125,534	–	125,534
Share of profits/(losses) of associates	–	–	4,603	–	(23,042)	(18,439)
Share of profit of a joint venture	–	–	–	53,780	–	53,780

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Mainland China	**5,480,772**	5,969,451
Asia (excluding Mainland China)	**267,361**	543,289
Europe	**43,084**	118,463
North America	**11,240**	77,301
Other countries	**–**	27,724
	5,802,457	6,736,228

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

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Segment assets		
Mainland China	**4,862,924**	4,894,306
Africa	**57,618**	94,814
	4,920,542	4,989,120

The non-current assets information above is based on the locations of assets and excludes deferred tax assets.

Information about a major customer

Revenue of approximately HK$870,551,000 (2018: approximately HK$782,565,000) was derived from sales by the EMM and alloying materials production segment and trading sales to a single customer.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers	**5,802,457**	6,736,228

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2019

Segments

	Manganese mining	EMM and alloying materials production	Battery materials production	Other business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sale of goods	122,366	3,259,384	664,974	1,755,733	5,802,457
Geographical markets					
Mainland China	122,366	2,950,270	655,498	1,752,638	5,480,772
Asia (excluding Mainland China)	–	260,013	4,253	3,095	267,361
Europe	–	37,861	5,223	–	43,084
North America	–	11,240	–	–	11,240
Total revenue from contracts with customers	122,366	3,259,384	664,974	1,755,733	5,802,457
Timing of revenue recognition					
Goods transferred at a point in time with customers	122,366	3,259,384	664,974	1,755,733	5,802,457

For the year ended 31 December 2018

Segments

	Manganese mining *HK$'000*	EMM and alloying materials production *HK$'000*	Battery materials production *HK$'000*	Other business *HK$'000*	Total *HK$'000*
Sale of goods	213,297	3,429,181	682,059	2,411,691	6,736,228
Geographical markets					
Mainland China	191,698	2,711,020	664,422	2,402,311	5,969,451
Asia (excluding Mainland China)	21,599	506,765	5,545	9,380	543,289
Europe	–	113,768	4,695	–	118,463
North America	–	70,100	7,201	–	77,301
Other countries	–	27,528	196	–	27,724
Total revenue from contracts with customers	213,297	3,429,181	682,059	2,411,691	6,736,228
Timing of revenue recognition					
Goods transferred at a point in time with customers	213,297	3,429,181	682,059	2,411,691	6,736,228

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments	**Manganese mining** ***HK$'000***	**EMM and alloying materials production** ***HK$'000***	**Battery materials production** ***HK$'000***	**Other business** ***HK$'000***	**Total** ***HK$'000***
Revenue from contracts with customers					
Sales to external customers	**122,366**	**3,259,384**	**664,974**	**1,755,733**	**5,802,457**

For the year ended 31 December 2018

Segments	Manganese mining *HK$'000*	EMM and alloying materials production *HK$'000*	Battery materials production *HK$'000*	Other business *HK$'000*	Total *HK$'000*
Revenue from contracts with customers					
Sales to external customers	213,297	3,429,181	682,059	2,411,691	6,736,228

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 *HK$'000*	2018 *HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**52,841**	53,720

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the commodities and payment is generally due within one to three months from the invoice date, except for new customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	**44,305**	52,841

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

	2019	2018
	HK$'000	*HK$'000*
Other income and gains		
Bank and other interest income	**36,644**	30,618
Gain on disposal of items of property, plant and equipment	**12,216**	–
Subsidy income*	**32,423**	122,355
Subcontracting income#	**103,092**	116,000
Sale of scraps	**13,179**	12,844
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**26,491**	28,391
Others	**20,297**	12,143
	244,342	322,351

* The amount mainly represented government grants of subsidy and compensation for expropriation of properties, electricity costs and research and development costs in Mainland China. Conditions or contingencies relating to these grants are fulfilled and they are not deducted from related costs which they are intended to compensate, but recorded in other income.

\# Pursuant to the subcontracting agreement entered into between the Group and a third party, the Group subcontracted the operation of a mine located in Gabon and is entitled to receive subcontracting income which included a fixed income per annum and a variable income dependent on the sales of ores produced by the subcontractor.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	HK$'000	*HK$'000*
Interest on loans wholly repayable within five years	**208,025**	212,534
Finance costs for discounted notes receivable	**7,946**	21,835
Interest on lease liabilities	**7,963**	–
Other finance costs	**1,960**	3,285
	225,894	237,654

5. PROFIT/(LOSS) BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold[#]	**5,166,810**	5,873,085
Depreciation of property, plant and equipment	**309,997**	329,603
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**59,307**	15,454
Amortisation of intangible assets	**17,715**	18,850
Research and development costs	**24,939**	17,612
Minimum lease payments under operating leases, land and buildings	**–**	18,724
Lease payments not included in the measurement of lease liabilities	**7,587**	–
Auditor's remuneration	**3,457**	3,309
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**447,859**	500,238
Pension scheme contributions	**79,482**	75,544
Other employee welfare	**62,536**	44,433
	589,877	620,215
(Gain)/loss on disposal of items of property, plant and equipment*	**(12,216)**	5,919
Loss on disposal of financial assets at fair value through profit or loss*	**98**	–
Loss on stocktake[&]	**4,722**	3,884
Foreign exchange differences, net*	**10,084**	4,869
Write-down of inventories to net realisable value, net[#]	**49,692**	10,770
Impairment of financial assets, net:		
Impairment of trade and notes receivables, net	**80,358**	6,652
Impairment of financial assets included in prepayments, other receivables and other assets	**53,175**	8,010
Impairment of an amount due from an associate	**6,929**	–
	140,462	14,662
Impairment loss on property, plant and equipment	**53,559**	17,114
Impairment loss on mining rights	**41,822**	16,955
Impairment loss on non-financial assets included in prepayments, other receivables and other assets*	**13,671**	–
Fair value loss on financial assets at fair value through profit or loss*	**–**	256

\# HK$5,187,541,000 (2018: HK$5,883,855,000) included in "Cost of sales" and HK$28,961,000 (2018: Nil) included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income

* HK$12,216,000 (2018: Nil) included in "Other income and gains" (note 3) and HK$23,853,000 (2018: HK$11,044,000) included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income

& HK$4,722,000 (2018: Nil) included in "Administrative expenses" and Nil (2018: HK$3,884,000) included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income

6. INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	*HK$'000*
Current – PRC		
Charge for the year	**5,175**	12,212
Current – Gabon		
Charge for the year	**64**	598
Deferred	**11,593**	(5,680)
Total tax expense for the year	**16,832**	7,130

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had utilised unrecognised tax losses brought forward from prior years to set off against the current year's taxable profits.

PRC corporate income tax ("CIT")

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax treatment available to CITIC Dameng Mining which is recognised as a High and New Technology Enterprise and was entitled to a preferential CIT rate of 15% in 2019, and Guangxi Start, which was entitled to a preferential CIT rate of 15% for Developing Western China for which the policy will end in 2020 and the related benefit will be subject to review by tax authorities every year thereafter, other companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income.

Gabon corporate income tax

Pursuant to the Gabon Income Tax Law, a company which engages in mining operations in Gabon is subject to CIT at the higher of 35% of its taxable income or 1% of its revenue.

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,428,459,000 (2018: 3,428,459,000) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(202,338)**	330,931
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**3,428,459,000**	3,428,459,000

8. DIVIDENDS

The board does not recommend the payment of any dividend for the year ended 31 December 2019. A final dividend of HK$0.01 per share, totalling HK$34,285,000 for the year ended 31 December 2018 was approved by the Company's shareholders in the annual general meeting of the Company on 24 May 2019 and was paid during the year ended 31 December 2019.

9. TRADE AND NOTES RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**1,059,624**	1,122,374
Notes receivable	**763,936**	848,130
	1,823,560	1,970,504
Less: Impairment	**(126,219)**	(46,685)
	1,697,341	1,923,819

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

	2019	2018
	HK$'000	*HK$'000*
Within one month	**487,130**	557,161
One to two months	**95,661**	162,234
Two to three months	**36,888**	241,536
Over three months	**317,057**	114,758
	936,736	1,075,689

The Group normally offers credit terms of one month to three months to its established customers.

Notes receivable represent: (a) bank acceptance notes of HK$697,309,000 (2018: HK$769,119,000) issued by banks in Mainland China maturing before 30 June 2020 and (b) commercial acceptance notes of HK$66,627,000 (2018: HK$79,011,000) maturing before 31 January 2020. An ageing analysis of the notes receivable of the Group as at the end of the reporting period, based on the receipt date of the notes and net of loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one month	**255,102**	369,460
One to two months	**199,675**	113,710
Two to three months	**153,468**	132,673
Over three months	**152,360**	232,287
	760,605	848,130

10. TRADE AND NOTES PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Within one month	**456,254**	375,830
One to two months	**74,051**	138,883
Two to three months	**55,885**	73,557
Over three months	**104,308**	190,436
	690,498	778,706

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

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			1 January 2019	31 December 2018		
	Effective Interest rate (%)	**Maturity**	***HK$'000***	*HK$'000*	Effective Interest rate (%)	Maturity	*HK$'000*
Current							
Lease liabilities	**5.20-8.70**	**2020**	**74,097**	174,859	6.32-8.70	2019	167,559
Bank loans – secured *(note (a))*	**3.09-3.19**	**2020**	**62,855**	45,793	3.80-3.92	2019	45,793
Bank loans – unsecured	**4.35-5.22, LIBOR+1.00, LIBOR+1.20**	**2020**	**2,685,565**	2,644,944	4.57-5.89	2019	2,644,944
Current portion of long-term bank loans – unsecured	**4.75-5.46, LIBOR+2.30**	**2020**	**689,391**	312,764	4.75-5.23, LIBOR+2.30	2019	312,764
			3,511,908	3,178,360			3,171,060
Non-current							
Lease liabilities	**5.20-8.70**	**2021**	**27,265**	118,714	6.32-8.70	2020-2021	84,515
Bank loans – unsecured	**4.75-5.46, LIBOR+2.30**	**2021-2023**	**618,934**	1,107,720	4.75-5.46, LIBOR+2.30	2020-2021	1,107,720
			646,199	1,226,434			1,192,235
			4,158,107	4,404,794			4,363,295

	2019	2018
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,437,811**	3,003,501
In the second year	**519,902**	618,842
In the third to fifth years, inclusive	**99,032**	488,878
	4,056,745	4,111,221
Other loans and lease liabilities:		
Within one year or on demand	**74,097**	167,559
In the second year	**27,265**	56,723
In the third to fifth years, inclusive	**–**	27,792
	101,362	252,074
	4,158,107	4,363,295

Notes:

(a) The above secured bank loans were secured by certain of the Group's assets with the following carrying value:

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**62,855**	45,793

(b) As at 31 December 2019, except for bank and other borrowings of HK$877,666,000 (2018: HK$555,796,000) which were denominated in United States dollars, all borrowings were denominated in Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

Overview

Throughout the year 2019, the global economy was deeply shadowed by the US-China trade war experienced in 2018 and carried into the year 2019. In 2019, the PRC government carried out tax reforms and expansionary fiscal policy to stimulate the market demand in China. The impact of the above measures had been eliminated by the escalation of the US-China trade war in 2H 2019 before a deal was made in December 2019. This depressed the investment intentions of corporates and further dampened the economies in both the US and China. The downside risk of global economy strengthened during the year.

The steel sector is our major downstream industry, its demand for our products was largely arising from consumptions within China, the negative impact of the US-China trade war on steel sector was relatively moderate in 1H 2019; and however has been deepened in 2H 2019. The rapidly cooling down of economies in the fourth quarter of 2019 adversely affected the sales of automobiles and investments from manufacturing sectors in the PRC, which in turn constrained the demand and price of steels. In 2019, the performance of EMM market was generally in line with the steel market. More specifically, (a) substantial drop in selling price of import manganese ore during the year 2019 leads to increase in market production and supply of other manganese alloy products which competed with our EMM products; (b) increased use of scrap steels in the market to produce stainless steels weakened the demand of our EMM's downstream products; and (c) as expected, the extremely advantageous business conditions of our EMM products in 2H 2018 due to squeezed supply in China did not repeat in 2019. As a result, the average selling price of our EMM products for 2019 decreased by 13.2% to HK$12,680 per tonne (2018: HK$14,613 per tonne), the gross profit ratio decreased by 4.6% to 17.5% in 2019 (2018: 22.1%) and the gross profit contribution of EMM products decreased by 36.4% to HK$380.2 million (2018: HK$598.0 million).

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

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

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

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

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

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

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

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

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

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

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

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

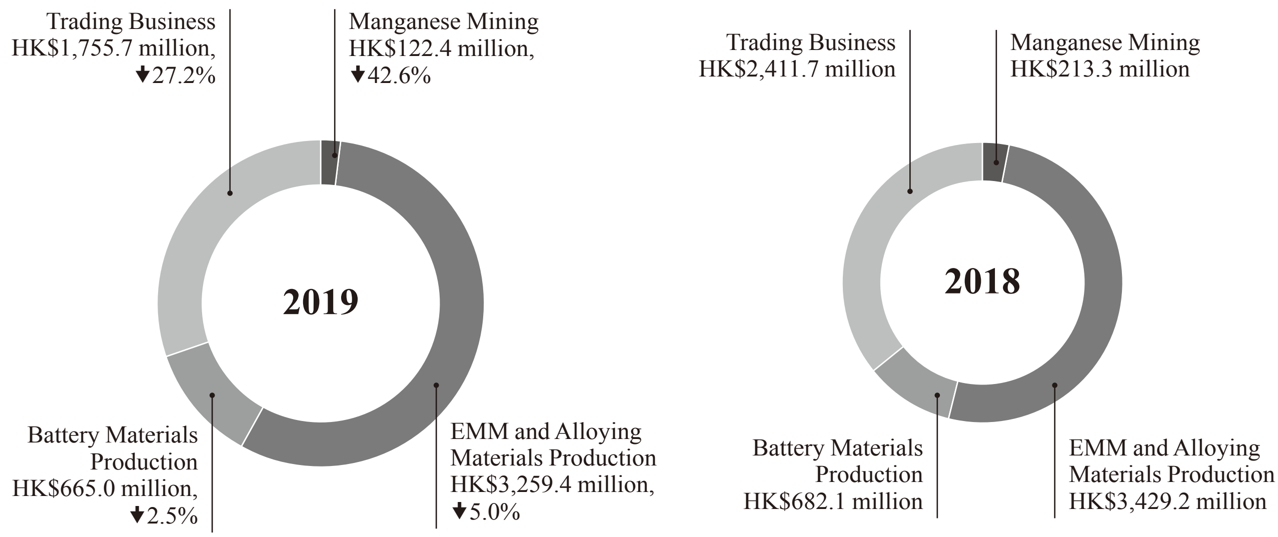
(c) Share of loss of our 34.93% owned joint venture Ningbo Dameng Group amounted to HK$0.8 million representing a turnaround from a profit of HK$53.8 million in 2018. This is mainly attributable to (a) a one-off gain on bargain purchase of HK$42.1 million upon Ningbo Dameng Group's acquisition of 100%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

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

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

Comparison with 2018

Revenue by segment



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

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

Manganese mining segment

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

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

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

Results of Gabon Mine

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

Note: The Group entered into a subcontracting agreement with a subcontractor, which is also the major shareholder of an associate of the Group, entrusting it with certain rights to operate the Group's Bembélé Manganese Mine in Gabon under the supervision of the Group and subject to certain conditions for a period of five years commencing from 1 March 2017. During the subcontracting period, the Group continues to control the strategy and significant matters of the mine's operation and the Group receives a fixed income of RMB26,000,000 (equivalent to HK$29,468,000) per annum plus a variable income upon sales of ores mined by the subcontractor and determined with reference to the ore's selling price. The revenue and cost of sales from the ores of Bembélé Manganese Mine mined by the subcontractor were not recognised in the Group's consolidated statement of profit or loss. Instead, the aggregate of fixed income and variable income above-mentioned is recognised as subcontracting income under "Other income and gains" in the consolidated statement of profit or loss.

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

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

EMM and alloying materials production segment

	Sales Volume (tonnes)	Average Selling Price (HK$/tonne)	Revenue (HK$'000)	Unit Cost of Sales (HK$/tonne)	Cost of Sales (HK$'000)	Gross Profit (HK$'000)	Gross Profit Margin (%)
Year 2019							
EMM	**137,295**	**12,576**	**1,726,592**	**10,287**	**1,412,306**	**314,286**	**18.2**
Manganese briquette	**33,831**	**13,102**	**443,240**	**11,152**	**377,294**	**65,946**	**14.9**
	171,126	**12,680**	**2,169,832**	**10,458**	**1,789,600**	**380,232**	**17.5**
Silicomanganese alloy	**145,004**	**7,236**	**1,049,179**	**7,097**	**1,029,053**	**20,126**	**1.9**
Others	**6,977**	**5,787**	**40,373**	**4,592**	**32,038**	**8,335**	**20.6**
Total	**323,107**	**10,088**	**3,259,384**	**8,823**	**2,850,691**	**408,693**	**12.5**
Year 2018							
EMM	140,531	14,461	2,032,149	11,115	1,561,942	470,207	23.1
Manganese briquette	44,434	15,095	670,745	12,219	542,942	127,803	19.1
	184,965	14,613	2,702,894	11,380	2,104,884	598,010	22.1
Silicomanganese alloy	78,158	8,755	684,296	8,082	631,649	52,647	7.7
Others	9,600	4,374	41,991	3,851	36,974	5,017	11.9
Total	272,723	12,574	3,429,181	10,170	2,773,507	655,674	19.1

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

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

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

The above factors are partially offset by the following:

(c) The revenue of silicomanganese alloy increased by 53.3% to HK$1,049.2 million (2018: HK$684.3 million) mainly attributable to the net effect of (i) sales volume increased by 85.5% to 145,004 tonnes (2018: 78,158 tonnes) attributable to production from newly leased alloy production furnaces in Xingyi, Guizhou; and (ii) the decrease in average selling price of silicomanganese alloy by 17.4% to HK$7,236 per tonne in 2019 (2018: HK$8,755 per tonne).

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

Battery materials production segment

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

Revenue of battery materials production segment slightly decreased by 2.5% to HK$665.0 million (2018: HK$682.1 million) and gross profit of this segment increased by 36.5% to HK$124.6 million (2018: HK$91.3 million) mainly attributable to the net effect of the followings:

(a) EMD continued to be our major battery material product and its market demand kept growing in 2019. The average selling price of EMD increased by 3.1% to HK$10,084 per tonne (2018: HK$9,778 per tonne) and its gross profit margin increase by 8.0% to 32.6% in 2019 (2018: 24.6%), contributing to an increase in gross profit contribution in 2019.

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

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

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

Other business segment

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

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

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

Cost of Sales

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

Gross Profit

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

Other Income and Gains

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Impairment Losses on Property, Plant and Equipment and Mining Rights

The amount represents:

(a) Impairment loss on mining rights

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

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

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

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

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

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

(b) Impairment loss on property, plant and equipment

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

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

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

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

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

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

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

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

Impairment losses on financial assets, net

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

Finance Costs

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

Other Expenses

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

Share of Profits and Losses of Associates

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

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

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

GMG is one of the largest lead-sliver polymetallic mining companies in Myanmar and owns and operates lead-zinc-silver polymetallic mines in Yunnan Province, the PRC. According to the announcement of GMG dated 22 March 2020, its independent auditor emphasised without modifying its audit opinion, that the financial statements of GMG for the year ended 31 December 2019 indicates the existence of a material uncertainty which may cast significant doubt about GMG's ability to continue as a going concern. The directors of the Company have assessed the impact on the impairment of investment in GMG and considered that no impairment provision was needed as at 31 December 2019. Further details of GMG can be found in its latest results announcement.

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

Share of Profit and Loss of a Joint Venture

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

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

Income Tax Expense

In 2019, the effective tax rate is -7.8% (2018: 2.1%) because certain subsidiaries in the PRC recording losses in the year 2019 did not recognise deferred tax arising from such losses for prudence. Comparing to the year 2018, the income tax expense increased because unutilised tax losses were available in 2018 to offset taxable profits for 2018. Such tax losses were fully utilised in 2018 and no longer available for offsetting taxable profits in the year 2019.

Loss Attributable to Owners of the Parent

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

Loss per Share

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

Final Dividend

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

Events after the end of the reporting period

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

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

Use of Proceeds from IPO

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

	Description	Amount designated in Prospectus *(HK$ Million)*	Amount utilised up to 31.12.2019 *(HK$ Million)*	% utilised	Amount utilised up to 31.12.2018 *(HK$ Million)*	% utilised
1	Expansion project at Daxin EMD Plant	79	79	100.0%	79	100.0%
2	Expansion project of underground mining and ore processing at Daxin Mine	278	278	100.0%	278	100.0%
3	Expansion and construction projects of our EMM production facilities	516	516	100.0%	516	100.0%
4	Construction project at Chongzuo Base	59	59	100.0%	59	100.0%
5	Development of Bembélé manganese mine and associated facilities	119	119	100.0%	119	100.0%
6	Technological improvement and renovation projects at our production facilities	40	40	100.0%	40	100.0%
7	Acquisition of mines and mining rights	397	282	71.0%	282	71.0%
8	Repayment on a portion of our bank borrowings	297	297	100.0%	297	100.0%
9	Working capital and other corporate purposes	198	198	100.0%	198	100.0%
	Total	1,983	1,868	94.2%	1,868	94.2%

As at 31 December 2019, proceeds from IPO designated for acquisition of mines and mining rights to the extent of HK$115.0 million was not yet utilised. According to the Prospectus, the proceeds shall be used for the acquisition of mines, mining rights in relation to mines with identified mining resources or related production facilities. Since IPO, the Group has been continuously studying potential acquisition opportunities of various mining projects introduced by investment banks, mine owners and other sources from time to time. However, the Group has not yet identified new projects which meet our investment strategy including risk return requirements. Currently the Group does not have a timetable for the utilisation of the remaining proceeds. Such timetable will only be available when the Group can identify project targets with a reasonable chance of acquisition completion. In the meantime, the unutilised portion of IPO proceeds continues to be maintained in deposits with licensed banks.

Liquidity and Financial Resources

Cash and bank balances

As at 31 December 2019, the currency denomination of the Group's cash and bank balances including pledged deposits were as follows:

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

As at 31 December 2019, our cash and bank balances including pledged deposits were HK$1,139.2 million (2018: HK$1,388.7 million) while the Group's borrowings amounted to HK$4,158.1 million (2018: HK$4,363.3 million). The Group's borrowings net of cash and bank balances amounted to HK$3,018.9 million (2018: HK$2,974.6 million).

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

Other major changes in working capital

(a) Trade and notes receivables of the Group as at 31 December 2019 decreased by 11.8% to HK$1,697.3 million (2018: HK$1,923.8 million) mainly attributable to decrease in revenue for the year 2019.

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

Net current liabilities

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

Bank and other Borrowings

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

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

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

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

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

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

Charge on group assets

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

Guarantees

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

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

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

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

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

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

Key Financial Ratios of the Group

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

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

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

Liquidity risk and going concern basis

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

In view of the Group's net current liabilities of HK$1,173.2 million at 31 December 2019 (2018: HK$371.6 million), the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

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

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

(c) At 31 December 2019, certain PRC banks had confirmed to the Group in writing regarding their agreements to renew their short-term bank loans granted to the Group totalling HK$2,639.3 million upon repayment when due, subject to the condition that the Group will be able to pay the total interest due on the respective repayment dates. Based on the above-mentioned agreements and past experience, the directors consider it highly probable that the Group can extend adequate amount of short-term bank loans for a further year when fall due to maintain sufficient working capital of the Group.

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

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

Credit risk

The Group endeavoured to maintain strict control over its outstanding receivables to minimise credit risk. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment is required either in advance or upon delivery. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one to three months from the invoice date and cash realisation may be further extended by three to six months for those customers paying by bank acceptance notes. Overdue balances are regularly reviewed by senior management. Since the Group's trade and notes receivables related to a large number of diversified customers, there was no significant concentration of credit risk save for a customer described below. The Group did not hold any collateral or other credit enhancements over its trade and notes receivable balances except for those detailed in this section of credit risk.

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

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

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

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

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

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

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

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

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our floating rate debt. Floating interest rates are subject to interest rate changes in the China Loan Prime Rate as well as movements in LIBOR. If the China Loan Prime Rate increases or LIBOR moves up, our finance costs will increase. In addition, to the extent that we may need to raise debt financing or roll over our short-term loans in the future, any upward fluctuations in interest rates will increase the costs of new debt obligations. In the year 2019, United States Federal Reserve rate was adjusted three times downward of 0.25% each as opposed to four times upward of 0.25% each in 2018. The Group secures interest rate swap contracts to effectively lock up certain United States dollars floating rate loan to fixed rate loan to contain interest rate risk since 2018.

Foreign exchange risk

The Group's operations are primarily in Hong Kong, the PRC and Gabon. Foreign exchange risks for operations in each location are set out below. Except for our PRC operation mentioned in (b) below, we have not entered into any foreign exchange contracts or derivative transactions to hedge against foreign exchange risks.

(a) In respect of our trading operations in Hong Kong, our sales and purchases are both denominated in United States dollars. In addition, Hong Kong dollars is pegged to United States dollars and hence foreign exchange risk is minimal.

(b) In respect of our mining and downstream operations in the PRC, our products are sold to local customers in RMB and to a less extent to overseas customers in United States dollars. Major expenses of our PRC operations are denominated in RMB. Our PRC operations face minimal foreign exchange risks except for the followings:

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

(c) In respect of our Gabon operation which is under the subcontracting arrangement, our subcontracting income is substantially denominated in RMB and United States dollars and all major expenses are borne by the subcontractor.

Investment in Gabon operation is substantially financed by United States dollar loans which are expected to be repaid in the long term out of the project's operating cash inflow from subcontracting income.

Business Model and Strategy

The Group strives to be the global leading one stop and vertical integrated manganese producer while maintaining the Group's long term profitability and assets growth with adoption of flexible business model and strategy and prudent risk and capital management framework. We intend to adopt and implement the following strategies to achieve our objective:

(a) expand and upgrade our manganese resources and reserves through exploration and enhance our strategic control of manganese resources and reserves through mergers and acquisitions;

(b) enhance our operational efficiency and profitability; and

(c) establish and consolidate our strategic relationships with selected major customers and industry leading partners.

Future Development and Outlook

- Upon the completion of technological innovations and upgrades in Huiyuan Manganese in December 2019, Huiyuan Manganese is now one of the largest EMD manufacturers in China. The Group will continue to strengthen the competitiveness in EMD market by consolidating our internal talents and experts and emphasising the research and development on EMD. In addition, we continue to monitor its financial performance and consider investment alternatives including increases in equity interests in Ningbo Dameng and/or Huiyuan Manganese.

- The second phase of lithium manganese oxide plant in Chongzuo Base was completed and gradually commenced production in 2019. Upon its completion, our production capacity of lithium manganese oxide was nearly doubled. The Group will continue to focus on marketing of lithium manganese oxide under this competitive product market.

- Our efforts spent on marketing of the Gabon ore provide an encouraging result, the demand of Gabon ore kept growing in 2019. However, the logistics operation for ores mined from our Bembélé Manganese Mine in Gabon sees bottlenecks in local transportation infrastructure in 1H 2019. To sustain and increase the ore production in Gabon, we started to carry out research and study on the methodology and planning for the next phase of our mining operation of Bembélé Manganese Mine.

- Amidst the downturn of alloy market in 2019, the production of Dushan Jinmeng became more stable. With the gradual commencement of steel plants in the nearby region of Dushan Jinmeng, its alloy produced will be more competitive in terms of production cost. It is expected that around the year 2021, half of the ferromanganese production and power generating capacity will have been put into production and the remaining half of the project capacity will be put into production around the year 2022. Upon full production, Dushan Jinmeng will be one of the largest integrated power to manganese ferroalloy plants in the PRC and therefore a key manganese ferroalloy supplier to steel plants in the southern market of the PRC.

- The production of our newly leased furnaces was stable in 2019. Riding on our expertise and experience in manganese from mining to downstream processing, we continue to strictly control our costs of production to strengthen our profitability amidst of current market condition.

- In terms of financing, we will continue our efforts to improve our liquidity and capital structure by exploring various alternatives from debt to equity and to raise necessary funds to finance our operations. In particular, we will put more weight on longer term financing than short term, taking into account of different pricing of various financing alternatives and due consideration will also be given to equity financing which can reduce our gearing ratio and have the possible advantage of expanding our shareholder base.

- The escalation in 2019 of the U.S.-China trade war has been threatening the economic growth of China and globally and exaggerating volatility to the currency markets.

- The outbreak of the novel coronavirus (COVID-19) recently spread over not only in the PRC but also into Europe and the USA. The World Health Organization has declared a global pandemic as the coronavirus spreads rapidly across the world. Worldwide economic situation is severely damaged and therefore various policies have recently been introduced by countries and regions around the world. Some industries are experiencing a cliff-edge fall in business with some others too facing ruptures in the capital chain, while staff are forced to take unpaid leave or a pay cut, or even face dismissal. As such, we anticipate that at least in the short term say the year 2020 will be very challenging and presenting threats to our business operation.

Resources and Reserves

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

Summary of our manganese mineral resources

Mines	**Ownership Percentage**	**JORC Resource Category**	**Million tonnes**	**Average Manganese Grade *(%)***	Million tonnes	Average Manganese Grade *(%)*
			31.12.2019		31.12.2018	
Daxin Mine	100%	Measured	**3.35**	**26.03**	3.53	25.82
		Indicated	**59.52**	**21.67**	60.98	21.52
		Subtotal	**62.87**	**21.90**	64.51	21.76
		Inferred	**0.43**	**21.23**	0.43	21.23
		Total	**63.30**	**21.89**	64.94	21.76
Tiandeng Mine	100%	Measured	**0.55**	**18.26**	0.56	18.26
		Indicated	**2.76**	**16.76**	2.76	16.76
		Subtotal	**3.31**	**17.01**	3.32	17.01
		Inferred	**3.51**	**14.28**	3.51	14.24
		Total	**6.82**	**15.63**	6.83	15.59

Mines	**Ownership Percentage**	**JORC Resource Category**	**Million tonnes**	**Average Manganese Grade** *(%)*	Million tonnes	Average Manganese Grade *(%)*
			31.12.2019		31.12.2018	
Waifu Manganese Mine	100%	Measured	–	–	–	–
		Indicated	–	–	–	–
		Subtotal	–	–	–	–
		Inferred	**1.54**	**17.52**	1.54	17.52
		Total	**1.54**	**17.52**	1.54	17.52
Changgou Manganese Mine	64%	Measured	**2.33**	**20.45**	2.53	20.45
		Indicated	**14.67**	**20.32**	14.67	20.32
		Subtotal	**17.00**	**20.34**	17.20	20.34
		Inferred	**4.22**	**20.50**	4.22	20.50
		Total	**21.22**	**20.37**	21.42	20.37
Bembélé Manganese Mine	51%	Measured	–	–	–	–
		Indicated	**12.14**	**32.49**	13.72	31.70
		Subtotal	**12.14**	**32.49**	13.72	31.70
		Inferred	**12.37**	**32.74**	12.37	32.74
		Total	**24.51**	**32.61**	26.09	32.19
Total			**117.39**		120.82	

Summary of our manganese ore reserves

Mines	**Ownership Percentage**	**JORC Resource Category**	**Million tonnes**	**Average Manganese Grade (%)**	Million tonnes	Average Manganese Grade (%)
			31.12.2019		31.12.2018	
Daxin Mine	100%	Proved	**3.13**	**20.75**	3.31	20.81
		Probable	**56.99**	**19.05**	58.45	18.96
		Total	**60.12**	**19.14**	61.76	19.06
Tiandeng Mine	100%	Proved	**0.51**	**15.78**	0.52	15.74
		Probable	**2.64**	**15.61**	2.64	15.61
		Total	**3.15**	**15.64**	3.16	15.64
Waifu Manganese Mine	100%	Proved	**–**	**–**	–	–
		Probable	**–**	**–**	–	–
		Total	**–**	**–**	–	–
Changgou Manganese Mine	64%	Proved	**2.33**	**20.45**	2.53	20.45
		Probable	**14.67**	**20.32**	14.67	20.32
		Total	**17.00**	**20.34**	17.20	20.34
Bembélé Manganese Mine	51%	Proved	**–**	**–**	–	–
		Probable	**12.13**	**31.21**	13.71	31.36
		Total	**12.13**	**31.21**	13.71	31.36
Total			**92.40**		95.83	

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

Assumptions:

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

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

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

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

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

Exploration, Development and Mining Activities

I) Exploration

Overview

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

Daxin Mine

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

Tiandeng Mine

During the year, the mining geological experts have completed the review of the detailed exploration report in respect of the exploration area located at 440 meters depth below the mining block of Tiandeng Mine which we submitted to the Department of Land and Resources of Guangxi Zhuang Autonomous Region, the PRC and we are now making the relevant amendments to the detailed exploration report according to the expert opinions in order to continue the recordal of the accreditation process in the next step.

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

Waifu Manganese Mine

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

Changgou Manganese Mine

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

Bembélé Manganese Mine

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

II) Development

Daxin Mine

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

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

Tiandeng Mine

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

Waifu Manganese Mine

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

Changgou Manganese Mine

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

Bembélé Manganese Mine

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

III) Mining activities

(1) Mining operations

Daxin Mine

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

Tiandeng Mine

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

Waifu Manganese Mine

During the year, there were no mining production.

Changgou Manganese Mine

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

Bembélé Manganese Mine

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

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

(2) Ore processing operations

- Concentrating

Production volume ***(thousand tonnes)***	**2019**	2018
Daxin Concentration Plant		
Manganese carbonate concentrate	**948**	1,024
Manganese oxide concentrate	**–**	26
Total	**948**	1,050
Average manganese grade of concentrate		
Manganese carbonate concentrate	**20.6%**	20.1%
Manganese oxide concentrate	**28.0%**	25.1%
Tiandeng Concentration Plant		
Manganese carbonate concentrate	**399**	352
Manganese oxide concentrate	**63**	10
Total	**462**	362
Average manganese grade of concentrate		
Manganese carbonate concentrate	**11.9%**	10.5%
Manganese oxide concentrate	**20.5%**	–
Bembélé Concentration Plant		
Manganese oxide concentrate	**921**	812
Average manganese grade of concentrate	**36.5%**	36.3%

- Grinding

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

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

IV) Downstream processing operations

(1) EMM and alloying materials

- EMM

Our existing EMM production facilities include Daxin EMM Plant, DXML EMM Plant, Tiandeng EMM Plant and Guangxi Start EMM Plant. Details of EMM production are set out below:

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

- Manganese briquette

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

- Silicomanganese alloy

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

(2) Battery materials

- EMD

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

- Lithium manganese oxide

Production ***(thousand tonnes)***	**2019**	2018
Chongzuo Branch	**4.6**	3.2

- NCM

Production ***(thousand tonnes)***	**2019**	2018
Chongzuo Branch	**0.98**	0.90

- Manganese sulfate

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

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

V) *Exploration, Development and Mining Cost of the Group*

Expenses of exploration, development and mining activities of the Group for the year ended 31 December 2019 are set out below:

(HK$'000)

	Daxin Mine	Tiandeng Mine	Waifu Manganese Mine	Changgou Manganese Mine	Bembélé Manganese Mine	Total
Exploration activities						
Drilling and analysis	–	–	–	–	–	–
Transportation	–	–	–	–	–	–
Others	–	–	–	–	–	–
	–	–	–	–	–	–
Development activities (including mine construction)						
Purchases of assets and equipment	–	–	–	12,924	–	12,924
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Others	5	–	–	–	–	5
	5	–	–	12,924	–	12,929
Mining activities*						
Staff cost	3,973	5,631	–	11,847	–	21,451
Consumables	2,121	5,334	–	5,616	–	13,071
Fuel, electricity, water and other services	5,260	4,723	–	4,387	–	14,370
Transportation	6,517	–	–	–	–	6,517
Sub-contracting fee	218,897	6,487	–	40,808	–	266,192
Depreciation	42,482	3,195	–	2,882	–	48,559
Others	10,301	7,393	–	4,884	–	22,578
	289,551	32,763	–	70,424	–	392,738

(* Concentrating not included)

OTHER INFORMATION

Annual General Meeting

The annual general meeting of the Company is tentatively scheduled to be held on Friday 29, May 2020 ("**2020 AGM**"). Notice of the 2020 AGM will be published and issued to shareholders in due course.

Closure of Register of Members

The register of members will be closed from Monday, 25 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the 2020 AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 May 2020.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Audit Committee

In compliance with the Listing Rules, the Audit Committee comprising three Independent Non-executive Directors has reviewed the accounting policies adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the consolidated results of the Group for the year ended 31 December 2019.

Financial Information

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2019, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, Ernst & Young.

Corporate Governance

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

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

Code Provision A.2.1

Chairman and Chief Executive Officer

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

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

Model Code for Securities Transactions by Directors

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

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

Publication of Final Results and Annual Report on the Stock Exchange

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

Our Appreciation

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

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

Performance and results of the operations of the Company for previous years described within this announcement are historical in nature. Past performance is no guarantee of the future results of the Company. This announcement may contain forward-looking statements and opinions, and therefore risks and uncertainties are involved. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. None of the Company, the Directors, employees or agents assumes (a) any obligation to correct or update any forward looking statements or opinions contained in this announcement; and (b) any liability arising from any forward looking statements or opinions that do not materialise or prove to be incorrect.

GLOSSARY OF TERMS

"Bembélé Concentration Plant"	the concentration plant associated with Bembélé Manganese Mine
"Bembélé Manganese Mine"	a manganese mine located in Bembélé, Moyen-Ogooue Province, Gabon, the exploration rights and mining rights of which are owned by La Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) (華州礦業(加蓬)工貿有限公司), a company in which we indirectly hold 51% equity interest
"Board or Board of Directors"	our board of directors
"Changgou Manganese Mine"	貴州遵義匯興鐵合金有限責任公司長溝錳礦 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine)
"China or PRC"	the People's Republic of China, but for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"Chongzuo Branch"	中信大錳礦業有限責任公司崇左分公司 (CITIC Dameng Mining Industries Co., Limited Chongzuo Branch)
"CITIC Dameng Mining"	中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Co., Limited)
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company or our Company"	CITIC Dameng Holdings Limited
"Daxin Mine"	中信大錳礦業有限責任公司大新錳礦 (CITIC Dameng Mining Industries Co., Limited Daxin Manganese Mine)
"Director(s)"	the director(s) of our Company

"Dushan Jinmeng"	獨山金孟錳業有限公司 (Dushan Jinmeng Manganese Limited Company)
"DXML"	中信大錳大新錳業有限公司 (CITIC Dameng Daxin Manganese Limited Company), formerly known as 廣西三錳龍礦業有限公司 (Guangxi Sanmenglong Mining Limited Company)
"EMD"	electrolytic manganese dioxide
"EMM"	electrolytic manganese metal
"EMM products"	EMM and manganese briquette
"Gabon"	the Gabonese Republic
GMG	Greenway Mining Group Limited (信盛礦業集團有限公司) (Stock Code:2133), formerly known as China Polymetallic Mining Limited (中國多金屬礦業有限公司) a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009
"Group, we or us"	the Company and its subsidiaries
"Guangxi"	Guangxi Zhuang Autonomous Region, the PRC
"Guangxi Dameng"	廣西大錳錳業集團有限公司 (Guangxi Dameng Manganese Industry Group Co., Ltd.)), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi, PRC
"Guangxi Start"	廣西斯達特錳材料有限公司 (Guangxi Start Manganese Materials Co., Ltd.)
"Hong Kong or HK"	the Hong Kong Special Administrative Region of the PRC
"Huiyuan Manganese"	廣西匯元錳業有限責任公司 (Guangxi Huiyuan Manganese Industry Co., Ltd)

"Hui Xing Company"	貴州遵義匯興鐵合金有限責任公司 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company)
"Hui Xing Group"	Hui Xing Company together with its subsidiaries (including 遵義中信大錳設備製造安裝有限公司 (Zunyi CITIC Dameng Equipment Manufacture and installation Co., Ltd))
"IPO"	the initial public offering and listing of Shares of the Company on the main board of the Stock Exchange on 18 November 2010
"JORC"	the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"NCM"	Lithium Nickel Cobalt Manganese Oxide
"Ningbo Dameng"	寧波大錳投資管理合伙企業（有限合伙）(Ningbo Dameng Management Partnership (Limited Partnership))
"Ningbo Dameng Group"	Ningbo Dameng together with its subsidiary Huiyuan Manganese
"Prospectus"	the prospectus of the Company dated 8 November 2010
"Qinzhou Ferroalloy Plant"	the ferroalloy production plant located near Qinzhou port and owned and operated by 中信大錳（欽州）新材料有限公司 (CITIC Dameng (Qinzhou) New Materials Co., Ltd.), a company in which we indirectly hold 70% equity interest

"Shares"	ordinary shares in the share capital of the Company, with a nominal value of HK$0.10 each
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Tiandeng Mine"	中信大錳礦業有限責任公司天等錳礦 (CITIC Dameng Mining Industries Co., Limited Tiandeng Manganese Mine)
"tonne"	metric tonne
"Waifu Manganese Mine"	中信大錳大新錳業有限公司靖西縣湖潤外伏錳礦 (CITIC Dameng Daxin Manganese Limited Company Jingxi Hu Run Waifu Manganese Mine)
"XAF"	Central African CFA franc
"Xingyi Ferroalloy Plant"	a ferroalloy production plant located in Xingyi, Guizhou, leased and operated by a wholly owned subsidiary of the Group

Note: The English names of the PRC entities mentioned hereinabove are translated from their Chinese names. If there are any inconsistencies, the Chinese names shall prevail.

By Order of the Board
CITIC DAMENG HOLDINGS LIMITED
Guo Aimin
Chairman

Hong Kong, 23 March 2020

As at the date of this announcement, the executive Directors are Mr. Guo Aimin and Mr. Li Weijian; the non-executive Directors are Mr. Suo Zhengang, Mr. Lyu Yanzheng, Mr. Cheng Zhiwei and Ms. Cui Ling; and the independent non-executive Directors are Mr. Lin Zhijun, Mr. Tan Zhuzhong and Mr. Wang Zhihong.

** For identification purpose only*