

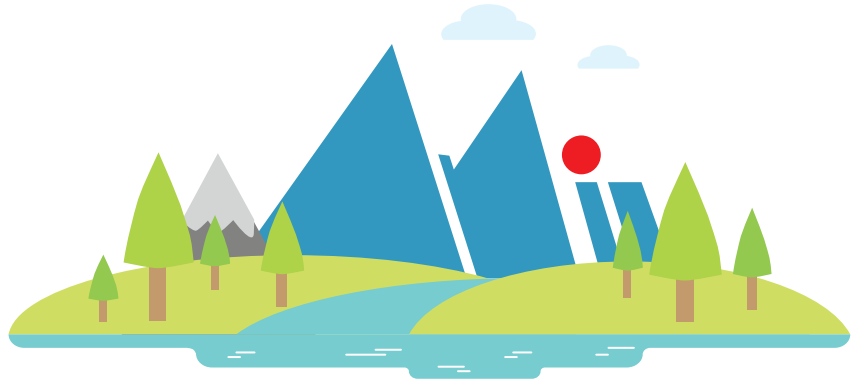


南方錳業投資有限公司

SOUTH MANGANESE INVESTMENT LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 1091



2023

Interim Report

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Corporate Information

Board of Directors

Executive Directors

Mr. Li Weijian (Chairman and Chief Executive Officer)
Mr. Zhang He
Mr. Xu Xiang
Mr. Li Junji

Non-executive Directors

Ms. Cui Ling
Mr. Pan Shenghai

Independent Non-executive Directors

Mr. Zhang Yupeng
Mr. Yuan Mingliang
Mr. Lo Sze Hung

Audit Committee

Mr. Lo Sze Hung (Chairman)
Mr. Zhang Yupeng
Ms. Cui Ling
Mr. Yuan Mingliang

Remuneration Committee

Mr. Yuan Mingliang (Chairman)
Mr. Li Weijian
Mr. Zhang He
Mr. Zhang Yupeng
Mr. Lo Sze Hung

Nomination Committee

Mr. Zhang Yupeng (Chairman)
Mr. Li Weijian
Mr. Zhang He
Mr. Yuan Mingliang
Mr. Lo Sze Hung

Company Secretary

Mr. Leung Chit Yu

Registered Office

Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

Headquarters and Principal Place of Business in Hong Kong

Room A02, 35th Floor, United Centre,
95 Queensway, Admiralty, Hong Kong

Telephone : (852) 2179 1310
Facsimile : (852) 2537 0168
E-mail : ir@southmn.com

Principal Place of Business in the PRC

South Manganese Building, No.18 Zhujin Road,
Nanning, Guangxi, PRC

Bermuda Principal Share Registrar and Transfer Office

Codan Services Limited
Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

Auditor

RSM Hong Kong
Certified Public Accountants
(Public Interest Entity Auditor registered in accordance with
the Financial Reporting Council Ordinance)

Authorised Representatives

Mr. Li Weijian
Mr. Leung Chit Yu



Corporate Information

Principal Bankers

Agricultural Bank of China
Bank of China
Bank of Communications
China Bohai Bank Co., Ltd
China CITIC Bank
China Construction Bank
China Everbright Bank
China Guangfa Bank
DBS Bank
Guangxi Beibu Gulf Bank
Industrial and Commercial Bank of China
Industrial Bank Co., Ltd
Postal Savings Bank of China
Shanghai Pudong Development Bank

Stock Code

1091 (Mainboard of the Stock Exchange)

Company Website

www.southmn.com



Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited) (restated)
REVENUE	4	7,732,538	9,008,594
Cost of sales		(7,077,578)	(7,874,097)
Gross profit		654,960	1,134,497
Other income and gains	4	64,026	102,353
Selling and distribution expenses		(84,472)	(73,676)
Administrative expenses		(312,143)	(402,166)
Impairment losses on property, plant and equipment and mining rights (Impairment losses)/reversals of impairment losses	6	–	(126,297)
on financial assets, net	6	(6,699)	2,651
Finance costs	5	(119,566)	(106,855)
Other expenses		(18,663)	(23,690)
Share of profits and losses of associates		(70)	346
PROFIT BEFORE TAX	6	177,373	507,163
Income tax expense	7	(43,821)	(109,507)
PROFIT FOR THE PERIOD		133,552	397,656
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
– Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		93	131
– Exchange differences on translation of foreign operations		(132,319)	(182,741)
		(132,226)	(182,610)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,326	215,046
Profit/(loss) for the period attributable to:			
Owners of the Company		134,903	383,199
Non-controlling interests		(1,351)	14,457
		133,552	397,656
Total comprehensive income for the period attributable to:			
Owners of the Company		(8,599)	195,439
Non-controlling interests		9,925	19,607
		1,326	215,046
Earnings per share attributable to owners of the Company	8		
– Basic		HK\$0.0393	HK\$0.1118
– Diluted		HK\$0.0393	HK\$0.1118



Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,902,940	4,019,433
Investment properties		99,783	104,006
Right-of-use assets	11	489,763	523,350
Intangible assets	12	210,301	221,374
Investments in associates	13	112,462	86,203
Deferred tax assets	14	18,352	20,980
Prepayments and other assets	17	143,834	147,813
Total non-current assets		4,977,435	5,123,159
CURRENT ASSETS			
Inventories	15	1,841,587	1,849,089
Trade and notes receivables	16	1,162,793	1,484,012
Prepayments, other receivables and other assets	17	1,674,528	1,380,919
Tax recoverable		3,703	7,117
Pledged deposits	18	755,767	430,839
Cash and cash equivalents	18	950,014	1,175,489
Total current assets		6,388,392	6,327,465
CURRENT LIABILITIES			
Trade and notes payables	19	2,177,298	2,148,852
Other payables and accruals	20	1,579,349	1,521,404
Interest-bearing bank and other borrowings	21	3,165,024	3,266,892
Due to related companies	27	2,247	7,505
Tax payable		112,615	129,077
Total current liabilities		7,036,533	7,073,730
NET CURRENT LIABILITIES		(648,141)	(746,265)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,329,294	4,376,894
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	21	1,151,560	1,193,508
Deferred tax liabilities	14	186,974	180,385
Other long-term liabilities		105,628	106,120
Deferred income	23	51,520	64,595
Total non-current liabilities		1,495,682	1,544,608
NET ASSETS		2,833,612	2,832,286

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Issued capital	24	342,846	342,846
Reserves	25	2,816,633	2,825,232
		3,159,479	3,168,078
Non-controlling interests		(325,867)	(335,792)
TOTAL EQUITY		2,833,612	2,832,286

Li Weijian
Director

Zhang He
Director



Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2023

	Attributable to owners of the Company										
	Issued share HK\$'000	Contributed surplus HK\$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment related reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 31 December 2022 and 1 January 2023 (audited)	342,846	2,461,249	(2,284)	279,860	(66,547)	312	2,051	150,591	3,168,078	(335,792)	2,832,286
Profit/(Loss) for the period	-	-	-	-	-	-	-	134,903	134,903	(1,351)	133,552
Other comprehensive income for the period:											
- Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	93	-	-	-	-	-	93	-	93
- Exchange difference on translation of foreign operations	-	-	-	-	(143,595)	-	-	-	(143,595)	11,276	(132,319)
Total comprehensive income for the period	-	-	93	-	(143,595)	-	-	134,903	(8,599)	9,925	1,326
Provision of special reserve (note 25(a))	-	-	-	33,389	-	-	-	(33,389)	-	-	-
Utilisation of special reserve (note 25(a))	-	-	-	(23,207)	-	-	-	23,207	-	-	-
At 30 June 2023 (unaudited)	342,846	2,461,249*	(2,191)*	290,042*	(210,142)*	312*	2,051*	275,312*	3,159,479	(325,867)	2,833,612

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2023

	Attributable to owners of the Company											
	Note	Issued share HK\$'000	Contributed surplus HK\$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment related reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 31 December 2021 and 1 January 2022		342,846	2,461,249	(3,023)	206,893	229,781	312	2,051	(132,744)	3,107,365	(62,789)	3,044,576
Prior year adjustments	29	-	-	-	-	(1,831)	-	-	2,667	836	(309,579)	(308,743)
At 31 December 2021 and 1 January 2022 (restated)		342,846	2,461,249	(3,023)	206,893	227,950	312	2,051	(130,077)	3,108,201	(372,368)	2,735,833
Profit for the period		-	-	-	-	-	-	-	383,199	383,199	14,457	397,656
Other comprehensive income for the period:												
- Change in fair value of financial assets at fair value through other comprehensive income, net of tax		-	-	131	-	-	-	-	-	131	-	131
- Exchange difference on translation of foreign operations		-	-	-	-	(187,891)	-	-	-	(187,891)	5,150	(182,741)
Total comprehensive income for the period		-	-	131	-	(187,891)	-	-	383,199	195,439	19,607	215,046
Provision of special reserve (note 25(a))		-	-	-	16,969	-	-	-	(16,969)	-	-	-
Utilisation of special reserve (note 25(a))		-	-	-	(13,558)	-	-	-	13,558	-	-	-
Capital contributions from non-controlling interests		-	-	-	-	-	-	-	-	-	32,578	32,578
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(1,792)	(1,792)
At 30 June 2022 (unaudited)		342,846	2,461,249	(2,892)	210,304	40,059	312	2,051	249,711	3,303,640	(321,975)	2,981,665

* These reserve accounts comprise the consolidated reserves of HK\$2,816,633,000 in the interim condensed consolidated statement of financial position (31 December 2022: HK\$2,825,232,000).



Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash flows generated from operating activities		517,739	389,866
Net cash flows used in investing activities		(271,448)	(436,339)
Net cash flows (used in)/generated from financing activities		(414,574)	377,606
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(168,283)	331,133
Cash and cash equivalents at beginning of period		1,175,489	1,045,362
Effect of exchange rate changes, net		(57,192)	(52,239)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		950,014	1,324,256
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	1,705,781	1,841,231
Less: Pledged deposits	18	(755,767)	(516,975)
Cash and cash equivalents at end of period		950,014	1,324,256



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

1. Corporate information

South Manganese Investment Limited (the “**Company**”) was incorporated in Bermuda on 18 July 2005 as an exempted company with limited liability under Section 14 of the Companies Act 1981 of Bermuda (as amended). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Room A02, 35th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong. The Company’s shares are listed on the Main Board of the Stock Exchange.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise manganese mining, ore processing and downstream processing operations in Mainland China, manganese mining and ore processing operations in Gabon, as well as trading of manganese ores, manganese alloys and related raw materials.

2. Basis of preparation and changes to accounting policies

2.1 Basis of preparation

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

In preparing the interim condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$648.1 million as at 30 June 2023. Subsequent to the end of the reporting period, the Group has successfully renewed or obtained new bank loans of HK\$1,446.4 million during the period from 1 July 2023 up to 30 September 2023. The directors of the Company, also taking into account of internally generated funds from its operations and successful renewals of bank loans during the period and after the reporting date, are of the opinion that, the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period. Accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of all new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to the Group’s operations and effective for its accounting year beginning on 1 January 2023. The new and revised HKFRSs do not have a material effect on the Group’s condensed consolidated interim financial statement.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

3. Operating segment information

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

(a) Manganese mining 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 alloy and ferromanganese;

(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, rental of investment properties and leasehold lands and investments in companies engaged in trading business, mining and production of non-manganese metals.

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 before tax except that interest income, non-lease-related finance costs, production halt expenses 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 and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings (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 and transfers between group companies are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

3. Operating segment information (continued)

	Manganese mining		EMM and alloying materials production	Battery materials production	Other business	Total
	PRC	Gabon	PRC	PRC	PRC & HK	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2023 (Unaudited)						
Segment revenue:						
Sales to external customers	67,339	514,569	1,615,881	926,713	4,608,036	7,732,538
Intersegment sales	-	211,326	-	-	-	211,326
Other income and gains from operations	6,814	3,103	29,112	6,244	8,591	53,864
	74,153	728,998	1,644,993	932,957	4,616,627	7,997,728
Reconciliation:						
Elimination of inter segment sales						(211,326)
Revenue, other income and gains from operations						7,786,402
Segment results	(8,808)	83,798	83,950	172,874	25,021	356,835
Reconciliations:						
Interest income						10,162
Corporate and other unallocated expenses						(76,385)
Finance costs (other than interest on lease liabilities)						(113,239)
Profit before tax						177,373
Income tax expense						(43,821)
Profit for the period						133,552
Assets and liabilities						
Segment assets	608,249	593,674	3,382,650	2,326,545	2,371,199	9,282,317
Reconciliations:						
Corporate and other unallocated assets						2,083,510
Total assets						11,365,827
Segment liabilities	415,970	430,519	752,497	977,560	1,331,804	3,908,350
Reconciliations:						
Corporate and other unallocated liabilities						4,623,865
Total liabilities						8,532,215



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

3. Operating segment information (continued)

	Manganese mining		EMM and alloying materials production	Battery materials production	Other business	Total
	PRC	Gabon	PRC	PRC	PRC & HK	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June						
2022 (Unaudited) (restated)						
Segment revenue:						
Sales to external customers	36,458	603,103	2,263,223	1,054,924	5,050,886	9,008,594
Intersegment sales	–	87,292	–	–	–	87,292
Other income and gains from operations	502	1,693	52,188	9,649	33,327	97,359
	36,960	692,088	2,315,411	1,064,573	5,084,213	9,193,245
Reconciliation:						
Elimination of inter segment sales						(87,292)
Revenue, other income and gains from operations						9,105,953
Segment results	(142,507)	167,934	305,354	358,589	34,838	724,208
Reconciliations:						
Interest income						4,994
Corporate and other unallocated expenses						(116,715)
Finance costs (other than interest on lease liabilities)						(105,324)
Profit before tax						507,163
Income tax expense						(109,507)
Profit for the period						397,656
Assets and liabilities						
Segment assets	666,587	617,578	3,371,415	2,336,530	2,128,584	9,120,694
Reconciliations:						
Corporate and other unallocated assets						1,950,421
Total assets						11,071,115
Segment liabilities	432,987	281,907	1,141,947	391,812	560,914	2,809,567
Reconciliations:						
Corporate and other unallocated liabilities						5,279,883
Total liabilities						8,089,450

4. Revenue, other income and gains

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods:		
Manganese mining	581,908	639,561
EMM and alloying materials production	1,615,881	2,263,223
Battery materials production	926,713	1,054,924
Other business	4,608,036	5,050,886
	7,732,538	9,008,594



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

4. Revenue, other income and gains (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the six months ended 30 June 2023 (Unaudited)

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	581,908	1,615,881	926,713	4,608,036	7,732,538
Geographical markets					
Mainland China	381,876	1,496,693	915,791	4,608,036	7,402,396
Asia (excluding Mainland China)	200,032	51,162	10,922	–	262,116
Europe	–	4,870	–	–	4,870
North America	–	63,156	–	–	63,156
Total revenue from contracts with customers	581,908	1,615,881	926,713	4,608,036	7,732,538
Timing of revenue recognition					
Goods transferred at a point in time with customers	581,908	1,615,881	926,713	4,608,036	7,732,538

For the six months ended 30 June 2022 (Unaudited)

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	639,561	2,263,223	1,054,924	5,050,886	9,008,594
Geographical markets					
Mainland China	439,203	1,808,227	1,037,453	5,050,886	8,335,769
Asia (excluding Mainland China)	200,358	180,709	14,535	–	395,602
Europe	–	20,852	136	–	20,988
North America	–	253,435	2,800	–	256,235
Total revenue from contracts with customers	639,561	2,263,223	1,054,924	5,050,886	9,008,594
Timing of revenue recognition					
Goods transferred at a point in time with customers	639,561	2,263,223	1,054,924	5,050,886	9,008,594



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

4. Revenue, other income and gains (continued)

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income	10,162	4,994
Foreign exchange gains, net	–	16,215
Gains on disposal of items of property, plant and equipment	5,205	12,335
Subsidy income	22,703	18,625
Sale of scraps and other materials	8,500	26,783
Rental income	8,727	9,737
Others	8,729	13,664
	64,026	102,353

5. Finance costs

	Note	Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited) (restated)
Interest on loans wholly repayable within five years		97,272	93,019
Finance costs for discounted notes receivable		15,928	12,196
Interest expenses on lease liabilities	22	6,327	1,531
Other finance costs		39	109
		119,566	106,855



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

6. Profit before tax

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

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of inventories sold [#]		7,061,689	7,858,544
Write-down of inventories to net realisable value, net [#]		15,889	15,553
Depreciation of property, plant and equipment	10	209,328	207,969
Depreciation of right-of-use assets	11	17,113	20,671
Amortisation of intangible assets	12	2,562	7,227
Research and development costs		48,310	35,108
Auditor's remuneration		2,261	2,489
Employee benefit expense		377,325	402,362
(Gains)/losses on disposal of items of property, plant and equipment*		(5,205)	(12,335)
Foreign exchange differences, net*		896	(16,215)
Impairment losses on property, plant and equipment and mining rights		–	126,297
Impairment losses/(reversals of impairment losses) on financial assets included in trade and notes receivables and other receivables, net		6,699	(2,651)
Variable lease payments not included in the measurement of lease liabilities (included in cost of inventories sold)		3,270	3,099
Expenses relating to leases of low-value assets [^]		4,432	–

[#] Included in "Cost of sales" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

* Included in "Other income and gains" (note 4) or "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

[^] Included in "Selling and distribution expenses" or "Administrative expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.



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7. 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 operate.

The major components of income tax expense for the reporting period are as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	7,438	39,367
Current – Hong Kong		
Charge for the period	2,365	2,814
Current – Gabon		
Charge for the period	19,275	36,050
Deferred (note 14)	14,743	31,276
Total tax charge for the period	43,821	109,507

Hong Kong profits tax

Hong Kong profits tax for the six months ended 30 June 2023 and 2022 has been provided at the rate of 16.5% on the estimated assessable profits for the period.

PRC corporate income tax (“CIT”)

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax treatment available to South Manganese Group, Qinzhou Dameng New Materials Co., Ltd and Huiyuan Manganese which are recognised as a High and New Technology Enterprise and was entitled to a preferential CIT rate of 15% up to 2025, 2025 and 2023 respectively.

Guangxi Start was entitled to a preferential CIT rate of 15% for Developing Western China for which the policy will expire in 2030 and the related benefit will be subject to review by tax authorities every year thereafter.

Guangxi Daxin Huiyuan New Energy Co., Ltd was entitled to a preferential CIT rate of 15% (an exemption of 40% CIT) for Developing Guangxi North Bay for which the policy will expire in 2025.

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.



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8. Earnings per share attributable to owners of the Company

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(restated)

The calculation of basic and diluted earnings per share are based on:

Earnings		
Earnings attributable to owners of the Company, used in the basic earnings per share calculation	134,903	383,199

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,428,459,000	3,428,459,000

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 nor the six months ended 30 June 2022.

9. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: Nil).

10. Property, plant and equipment

	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At 1 January 2023/1 January 2022	4,019,433	3,574,493
Additions	280,743	1,222,827
Depreciation (note 6)	(209,328)	(405,370)
Disposals	(27,376)	(80,891)
Exchange realignment	(160,532)	(291,626)
At 30 June 2023/31 December 2022	3,902,940	4,019,433

At 30 June 2023, the Group was in the process of applying for the building ownership certificates of certain of its buildings with an aggregate net carrying amount of approximately HK\$142,317,000 (31 December 2022: HK\$182,920,000). The Directors are of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 30 June 2023.



Notes to Interim Condensed Consolidated Financial Statements

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11. Right-of-use assets

	Leasehold lands HK\$000	Motor vehicles, plant machinery, tools and equipment HK\$000	Total HK\$000
As at 1 January 2023 (Audited)	482,685	40,665	523,350
Additions	–	4,140	4,140
Depreciation (note 6)	(9,259)	(7,854)	(17,113)
Exchange realignment	(19,256)	(1,358)	(20,614)
30 June 2023 (Unaudited)	454,170	35,593	489,763
As at 1 January 2022 (Audited)	514,387	147,870	662,257
Additions	17,626	–	17,626
Depreciation	(18,719)	(17,901)	(36,620)
Disposals	–	(71,688)	(71,688)
Exchange realignment	(30,609)	(17,616)	(48,225)
31 December 2022 (Audited)	482,685	40,665	523,350

12. Intangible assets

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Mining rights and other intangible assets:		
At 1 January 2023/1 January 2022	221,374	367,902
Additions	383	545
Amortisation (note 6)	(2,562)	(2,628)
Impairment	–	(119,737)
Exchange realignment	(8,894)	(24,708)
At 30 June 2023/31 December 2022	210,301	221,374



Notes to Interim Condensed Consolidated Financial Statements

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13. Investments in associates and due from associates

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Share of net assets	423,646	397,387
Less: Impairment	(311,184)	(311,184)
At 30 June 2023/31 December 2022	112,462	86,203
Amounts due from associates		
– Repayable within one year	54,773	53,973
Less: Impairment	(54,773)	(53,973)
	–	–

14. Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities of the Group during the reporting period are as follows:

Deferred tax assets

	Impairment of financial assets and others HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Total HK\$'000
At 1 January 2023 (Audited)	56,690	26,897	83,587
Deferred tax charged to profit or loss during the period (note 7)	(7,063)	–	(7,063)
Exchange realignment	(2,041)	(1,092)	(3,133)
At 30 June 2023 (Unaudited)	47,586	25,805	73,391



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14. Deferred tax assets and liabilities (continued)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Withholding taxes HK\$'000	Fair value adjustments on investment properties HK\$'000	Depreciation allowances in excess of related depreciation and others HK\$'000	Total HK\$'000
At 1 January 2023 (Audited)	74,490	33,966	8,589	125,947	242,992
Deferred tax charged/(credited) to profit or loss during the period (note 7)	(890)	2,966	-	5,604	7,680
Exchange realignment	(2,991)	-	(349)	(5,319)	(8,659)
At 30 June 2023 (Unaudited)	70,609	36,932	8,240	126,232	242,013

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Net deferred tax assets recognised in the consolidated statement of financial position	18,352	20,980
Net deferred tax liabilities recognised in the consolidated statement of financial position	(186,974)	(180,385)
	(168,622)	(159,405)

15. Inventories

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Raw materials	972,765	1,058,792
Work in progress	31,191	30,486
Finished goods	906,120	824,889
	1,910,076	1,914,167
Less: Inventory provision	(68,489)	(65,078)
	1,841,587	1,849,089

16. Trade and notes receivables

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables	969,438	1,065,902
Less: Impairment provision	(272,362)	(268,116)
	697,076	797,786
Notes receivable	465,717	686,226
	1,162,793	1,484,012

Notes to Interim Condensed Consolidated Financial Statements

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16. Trade and notes receivables (continued)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment is required either in advance or upon delivery. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one month 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. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management.

At 30 June 2023, the net trade receivables relate to a large number of diversified customers.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within one month	453,427	560,460
One to two months	136,004	153,434
Two to three months	47,470	32,745
Over three months	60,175	51,147
	697,076	797,786

Notes receivable represents bank acceptance notes issued by banks in Mainland China maturing within one year from the end of the reporting period.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

16. Trade and notes receivables (continued)

Transferred financial assets that are derecognised in their entirety

At 30 June 2023, the Group endorsed certain notes receivable accepted by banks in Mainland China (the “Derecognised Notes”) to certain of its suppliers in order to settle mainly the trade payables due to such suppliers with a carrying amount in aggregate of RMB2,223,972,000 (equivalent to HK\$2,412,120,000) (31 December 2022: RMB1,004,521,000, equivalent to HK\$1,135,612,000). The Derecognised Notes had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group’s Continuing Involvement in the Derecognised Notes are not significant.

During the six months ended 30 June 2023 and 30 June 2022, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The endorsement has been made evenly throughout the period.

The movements in the loss allowances for impairment of trade receivables are as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
At 1 January 2023/1 January 2022	268,116	305,247
Impairment losses/(reversals of impairment losses), net	6,547	(217)
Amount written off as uncollectible	(111)	(32,238)
Exchange realignment	(2,190)	(4,676)
At 30 June 2023/31 December 2022	272,362	268,116

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses for trade receivables. The provision rates are based on ageing information for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

16. Trade and notes receivables (continued)

Impairment under HKFRS 9

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2023

	Ageing				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	1.0%	40.7%	97.9%	99.6%	28.1%
Gross carrying amount (HK\$'000)	694,903	12,194	37,104	225,237	969,438
Expected credit losses (HK\$'000)	6,830	4,967	36,341	224,224	272,362

As at 31 December 2022

	Ageing				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	0.6%	32.7%	99.3%	99.6%	25.2%
Gross carrying amount (HK\$'000)	799,539	2,826	38,561	224,976	1,065,902
Expected credit losses (HK\$'000)	4,732	923	38,288	224,173	268,116

17. Prepayments, other receivables and other assets

Non-current portion

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Prepayments	125,757	128,972
Deposits	18,077	18,841
	143,834	147,813



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17. Prepayments, other receivables and other assets (continued)

Current portion

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Prepayments	1,516,635	1,299,403
Deposits and other receivables	302,621	233,519
	1,819,256	1,532,922
Less: Impairment provision	(144,728)	(152,003)
	1,674,528	1,380,919

18. Cash and cash equivalents and pledged deposits

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Cash and bank balances	1,705,781	1,606,328
Less: Pledged deposits		
– Pledged for notes payables	(755,767)	(427,448)
– Pledged for bank borrowings	–	(3,391)
	(755,767)	(430,839)
Cash and cash equivalents as stated in the consolidated statements of financial position and cash flows	950,014	1,175,489

As at 30 June 2023, cash and bank balances of the Group denominated in RMB amounting to HK\$1,614,679,000 (31 December 2022: HK\$1,500,077,000) were deposited with banks in Mainland China. RMB is not freely convertible in the PRC into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances including pledged deposits are deposited with creditworthy banks with no recent history of default.

19. 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 of trade payables and the issue date of notes, is as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within one month	896,325	1,003,397
One to two months	293,800	378,559
Two to three months	143,377	39,302
Over three months	843,796	727,594
	2,177,298	2,148,852

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



Notes to Interim Condensed Consolidated Financial Statements

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20. Other payables and accruals

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contract liabilities	374,041	206,790
Other payables	653,259	776,042
Accruals	543,476	529,637
Financial guarantee contracts	8,573	8,935
	1,579,349	1,521,404

Contract liabilities represent short-term advances received to deliver products.

Other payables are non-interest-bearing and have an average term of three months.

21. Interest-bearing bank and other borrowings

	30 June 2023			31 December 2022		
	Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
Current						
Lease liabilities (note (a)) (note 22)	5.80-7.30	2023-2024	148,093	5.80-7.30	2023	159,450
Bank loans – secured (note (a))	3.22-8.25	2023-2024	63,911	3.10-9.30	2023	53,317
Bank loans – unsecured	2.24-5.35	2023-2024	2,340,025	1.40-5.40	2023	2,345,070
Current portion of long-term bank loans – secured (note (a))	3.70-6.10	2023	19,523	3.70-6.10	2023	20,350
Current portion of long-term bank loans – unsecured	4.15-4.50	2023-2024	593,472	3.90-4.75	2023	688,705
			3,165,024			3,266,892
Non-current						
Lease liabilities (note (a)) (note 22)	5.80	2024-2025	153,077	5.80	2024-2025	232,866
Bank loans – secured (note (a))	3.70-6.10	2027	519,523	3.70-6.10	2027	375,327
Bank loans – unsecured	4.15-6.30	2024-2027	478,960	3.90-6.00	2024-2027	585,315
			1,151,560			1,193,508
			4,316,584			4,460,400



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21. Interest-bearing bank and other borrowings (continued)

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	3,016,931	3,107,445
In the second year	214,426	580,794
In the third to fifth years, inclusive	784,057	379,845
	4,015,414	4,068,084
Lease liabilities:		
Within one year	148,093	159,450
In the second year	151,322	154,868
In the third to fifth years inclusive	1,755	77,998
	301,170	392,316
	4,316,584	4,460,400

Note:

- (a) The above lease liabilities and secured bank loans were secured by certain of the Group's assets with the following carrying values:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Property, plant and equipment	532,136	586,410
Leasehold land	28,409	30,072
Trade receivables	53,390	42,351
Pledged deposits	–	3,391
	613,935	662,224

- (b) The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
RMB	4,312,444	4,147,436
USD	–	312,000
HK\$	4,140	964
	4,316,584	4,460,400



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

22. Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the period are as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Carrying amount at 1 January 2023/ 1 January 2022	392,316	42,607
New leases	4,140	413,878
Accretion of interest recognised (note 5)	6,327	13,785
Payments	(88,724)	(63,838)
Exchange realignment	(12,889)	(14,116)
Carrying amount at 30 June 2023/31 December 2022	301,170	392,316
Analysed into:		
Current portion	148,093	159,450
Non-current portion	153,077	232,866
	301,170	392,316

23. Deferred income

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
At 1 January 2023/1 January 2022	64,595	54,527
Additions	–	24,820
Amortisation	(10,852)	(10,096)
Exchange realignment	(2,223)	(4,656)
At 30 June 2023/31 December 2022	51,520	64,595

Deferred income represents the receipt of government grants for constructions of certain equipment, which has been credited as a non-current liability on the interim condensed consolidated statement of financial position. Such deferred income is amortised on the straight-line basis to profit or loss over the expected useful lives of the relevant assets acquired.

24. Share capital

The following is a summary of the authorised share capital and the issued share capital of the Company:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Issued and fully paid: 3,428,459,000 (31 December 2022: 3,428,459,000) ordinary shares of HK\$0.10 each	342,846	342,846



Notes to Interim Condensed Consolidated Financial Statements

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25. Reserves

The amounts of the Group's reserves and the movements therein are presented in the interim condensed consolidated statement of changes in equity.

	Note	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contributed surplus		2,461,249	2,461,249
Reserve funds	(a), (b)	290,042	279,860
Fair value reserve of financial assets at fair value through other comprehensive income		(2,191)	(2,284)
Investment related reserve		2,051	2,051
Exchange fluctuation reserve		(210,142)	(66,547)
Capital redemption reserve		312	312
Retained profits		275,312	150,591
		2,816,633	2,825,232

Note:

- (a) In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to:
- (i) appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses, or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital; and
 - (ii) pursuant to the relevant regulation in the PRC, provide for the safety fund based on the volume of ore excavated and the turnover of ferroalloy in prior years. The safety fund can only be transferred to retained profits to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.
- (b) A subsidiary of the Company registered in Gabon maintains re-investment fund and assets replacement fund, which are allocated from retained profits in accordance with the Mining Code of Gabon. These funds are designated mainly for future capital expenditures of its mining operations.



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26. Commitments and contingencies

(a) The Group as a lessor

The Group leases its investment properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the period was HK\$8,727,000 (2022: HK\$9,737,000), details of which are included in note 4 to the financial statements.

At 30 June 2023, the total undiscounted minimum lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within one year	8,466	5,019
After one year but within two years	6,739	2,756
After two years but within three years	992	753
After three years but within four years	135	242
After four years but within five years	–	20
	16,332	8,790

(b) Capital commitments of the Group

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Capital expenditure in respect of:		
– Acquisition of items of property, plant and equipment	259,086	234,388
– Capital contribution payable to associates	34,166	55,395
	293,252	289,783



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

26. Commitments and contingencies (continued)

(c) Contingent liabilities

At the end of reporting period, contingent liabilities were as follows:

	Note	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Guarantee given to a bank in connection with facilities granted to an associate	(i)	286,334	298,452
Guarantee given to a lender in connection with loans provided to a third party	(ii)	10,846	11,305

- (i) As at 30 June 2023, the outstanding bank loan of an associate, in which the Group has a 33% equity interest, was secured by the associate's leasehold land and property, plant and equipment and guaranteed by the Group and the holding company of the associate according to the shareholding percentage on a several basis.

As at 30 June 2023, the associate's banking facilities guaranteed by the Group and the holding company of the associate amounted to RMB800,000,000 (equivalent to HK\$867,680,000) (31 December 2022: RMB800,000,000, equivalent to HK\$904,400,000) and were utilised to the extent of RMB552,900,000 (equivalent to HK\$599,675,000) (31 December 2022: RMB554,900,000, equivalent to HK\$627,314,000) by the associate.

- (ii) As at 30 June 2023, the loan facilities granted to a third party ("the Borrower"), of which 10% were guaranteed by the Group on a several basis amounted to RMB100,000,000 (equivalent to HK\$108,460,000) and were utilised to the extent of RMB31,250,000 (equivalent to HK\$33,894,000) (31 December 2022: RMB37,500,000, equivalent to HK\$42,394,000) by the Borrower.

Apart from as disclosed above, certain subsidiaries of the Company are defendants in certain claims, lawsuits, arbitrations and potential claims relating to breach of sales contracts and employment dispute. The directors of the Company after due consideration of each cases and with reference to legal advice, consider the claims would not result in any material adverse impact on the financial position or results and operations of the Group.



Notes to Interim Condensed Consolidated Financial Statements

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27. Related party balances and transactions

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

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Sale of finished goods to related companies	(i)	–	54,473
Sale of finished good to associates	(i)	565,014	–
Purchase of finished goods from Guangxi Dameng	(i)	2,489	58,003
Purchase of raw materials from related companies	(i)	–	53,583
Purchase of finished goods from associates	(i)	7,399	–
Maximum balance of bank deposits with related companies during the period	(ii)	–	2,265
Interest income on deposits placed with related companies	(ii)	–	3
Maximum balance of loans to an associate	(iii)	45,109	49,156

Notes:

- (i) These sales and purchases were made at prices based on the mutual agreements between the parties.
- (ii) Maximum bank deposits with related companies during the period and related interest income were transacted in the usual and ordinary course of business of the Group.
- (iii) A loan to an associate carried interest at 8% per annum and is repayable on demand.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

27. Related party balances and transactions (continued)

(b) Other transactions with related parties

- (i) The Group has guaranteed banking facilities granted to an associate amounting to HK\$286,334,000 (31 December 2022: HK\$298,452,000) as at the end of the reporting period, as further detailed in note 26(c)(i) to the financial statements.

(c) Outstanding balances with related parties

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
i) Due to related companies Other payables	2,247	7,505
ii) Due from associates Trade receivables Prepayments and other receivables, net of impairment	63,970 32,698	– 628
	96,668	628
iii) Due to associates Other payables	5,210	–

Trade receivables from the Group's associates are secured, non-interest bearing and repayable on similar credit terms to independent third party customers of the Group. The Group's prepayments and other receivables from associates at 30 June 2023 and 31 December 2022 are unsecured, non-interest-bearing and have no fixed terms of repayment.

Other payables to the Group's related companies and associates are non-interest-bearing and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries, director fees, allowances and benefits in kind	21,837	4,605
Pension scheme contributions	163	78
Total compensation paid to key management personnel	22,000	4,683



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

28. Fair value and fair value hierarchy of financial instruments

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of notes receivables measured at fair value through other comprehensive income and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for notes receivable and interest-bearing bank and other borrowings as at 30 June 2023 were assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets and liabilities measured at fair value:

	Fair value measurement using			Total HK\$'000
	quoted prices in active markets (Level 1) HK\$'000	significant observable inputs (Level 2) HK\$'000	significant unobservable inputs (Level 3) HK\$'000	
30 June 2023				
Assets:				
Notes receivable	–	465,717	–	465,717
31 December 2022				
Assets:				
Notes receivable	–	686,226	–	686,226

During the six months ended 30 June 2023 and year ended 2022, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Excepted as disclosed above, management has assessed that the fair values of the Group's financial instruments approximately to their carrying amounts.

29. Prior year adjustments

In preparing the consolidated financial statement for the year ended 31 December 2022, management has identified some prior year adjustments to the prior year consolidated financial statements. Therefore, to conform with the presentation of the financial statements for the six months ended 30 June 2023, the corresponding prior year adjustments were made to the financial statements for the six months ended 30 June 2022. A detailed description of the nature of these adjustments are further discussed below.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

29. Prior year adjustments (continued)

Adjustment I

With regard to the investments in certain non-wholly owned subsidiaries, a difference was noted between “Non-controlling interests” and “Reserves” because the Group did not attribute the losses of these subsidiaries to the non-controlling interests (“NCI”) proportionate to the shareholding percentage.

This resulted in understatement of “Reserves” and overstatement of “Non-controlling interests” as at 31 December 2021 and understatement of “Profit attributable to non-controlling interests” for the six months ended 30 June 2022.

Adjustment II

During the year 2022, management has confirmed the understanding with the Social Security Bureau about the requirements of the interests in relation to social security welfare contribution, and considered that this constitutes a present obligation for a provision to be recognised.

This resulted in understatement of “Other payables and accruals”, overstatement of “Reserves”, and overstatement of “Non-controlling interests” as at 31 December 2021; and understatement of “Finance costs” for the six months ended 30 June 2022.

Adjustment III

The Group carried out tax planning arrangement in relation to some subsidiaries in the past. During the year 2022, management revisited the tax positions of the Group and considered that the Group may be subject to additional income tax expenses and relevant expenses in relation to late payment, taken into account the statute of limitations.

This resulted in understatements of the “Other payables and accruals” and “Tax payables”, overstatement of “Reserves”, and overstatement of “Non-controlling interests” as at 31 December 2021; and understatement of “Other expenses” for the six months ended 30 June 2022.

Management considered that the above adjustments are required to be made to the comparative information presented so as to ensure that the consolidated financial statements presented are in compliance with HKFRSs, enhancing the comparability with the current period’s results. The adjustments did not have any material impact on the Group’s cash flows.

A summary of the accumulated effects of the restatements on the consolidated statement of financial position of the Group as at 31 December 2021 and on the consolidated statement of profit or loss and other comprehensive income of the Group for the six months then ended 2022 by each financial statement line item affected are presented in the table below:

	As previously reported HK\$’000	Adjustment I HK\$’000	Adjustment II HK\$’000	Adjustment III HK\$’000	As restated HK\$’000
Effect on the Group’s consolidated statement of financial position as at 31 December 2021					
Other payables and accruals	2,009,900	–	93,294	93,459	2,196,653
Tax payables	206,723	–	–	121,990	328,713
Reserves	2,764,519	170,423	(59,708)	(109,879)	2,765,355
Non-controlling interests	(62,789)	(170,423)	(33,586)	(105,570)	(372,368)



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

29. Prior year adjustments (continued)

	As previously reported HK\$'000	Adjustment I HK\$'000	Adjustment II HK\$'000	Adjustment III HK\$'000	As restated HK\$'000
Effect on the Group's consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2022					
Other expenses	(5,392)	–	–	(18,298)	(23,690)
Finance costs	(97,830)	–	(9,025)	–	(106,855)
Profit for the period	424,979	–	(9,025)	(18,298)	397,656
Profit for the period attributable to:					
Owners of the Company	453,339	(55,032)	(5,776)	(9,332)	383,199
Non-controlling interests	(28,360)	55,032	(3,249)	(8,966)	14,457
	424,979	–	(9,025)	(18,298)	397,656
Earnings per share attributable to owners of the Company					
Basic	0.1322	(0.0160)	(0.0017)	(0.0027)	0.1118
Diluted	0.1322	(0.0160)	(0.0017)	(0.0027)	0.1118
Total comprehensive income for the period	241,847	–	(8,503)	(18,298)	215,046
Total comprehensive income for the period attributable to:					
Owners of the Company	265,245	(55,032)	(5,442)	(9,332)	195,439
Non-controlling interests	(23,398)	55,032	(3,061)	(8,966)	19,607
	241,847	–	(8,503)	(18,298)	215,046

30. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 November 2023.



Management Discussion and Analysis

Financial Review

	1H 2023 HK\$'000	1H2022 HK\$'000 (restated)	Increase/(decrease) HK\$'000	%
Revenue	7,732,538	9,008,594	(1,276,056)	(14.2)
Gross profit	654,960	1,134,497	(479,537)	(42.3)
Gross profit margin	8.5%	12.6%	N/A	(4.1)
Operating profit	184,142	630,463	(446,321)	(70.8)
Impairment losses on property, plant and equipment and mining rights	–	(126,297)	(126,297)	(100.0)
(Impairment losses)/reversals of impairment losses on financial assets, net	(6,699)	2,651	(9,350)	(352.7)
Share of profits and losses of associates	(70)	346	(416)	(120.2)
Profit before tax	177,373	507,163	(329,790)	(65.0)
Income tax expense	(43,821)	(109,507)	(65,686)	(60.0)
Profit for the period	133,552	397,656	(264,104)	(66.4)
Profit for the period attributable to owners of the Company	134,903	383,199	(248,296)	(64.8)
Profit/(loss) for the period attributable to non-controlling interests	(1,351)	14,457	(15,808)	(109.3)
	133,552	397,656	(264,104)	(66.4)

Financial Highlights

- Revenue amounted to HK\$7,732.5 million for 1H 2023, representing a decrease of 14.2% from HK\$9,008.6 million of 1H 2022.
- Gross profit amounted to HK\$655.0 million for 1H 2023, representing a decrease of 42.3% from HK\$1,134.5 million of 1H 2022. Gross profit margin was 8.5% for 1H 2023, representing a decrease of 4.1 percentage points from 12.6% for 1H 2022.
- Operating profit amounted to HK\$184.1 million for 1H 2023, representing a decrease of 70.8% from HK\$630.5 million for 1H 2022.
- Profit attributable to owners of the Company amounted to HK\$134.9 million for 1H 2023, representing a decrease of 64.8% from HK\$383.2 million for 1H 2022.

Overview

In 1H 2023, the global economy remained relatively stagnant. Western countries and enterprises were adapting to new norms from post-pandemic era with high borrowing costs, rising costs of productions and expecting less consumptions from people. To contain the inflation, the prolonged and higher-than-expected interest rate increase in Western countries delayed the economic recovery. All these factors increased the burdens of corporations worldwide and the economies were facing challenges ahead.

Management Discussion and Analysis

Steel sector is our major downstream industry, its demand for our EMM Products largely arising from consumptions within China. In 1H 2023, the demand for steels remained stagnant as a result of slowing down of property development sector amid the PRC government has added stimulus to the economy by easing the interest rate, removing purchase restrictions on properties in certain areas and encouraging consumptions in China. Therefore, the average selling price of our EMM Products for 1H 2023 decreased by 41.0% to HK\$14,695 per tonne (1H 2022: HK\$24,902 per tonne). The gross profit ratio of EMM Products decreased by 10.8 percentage points to 17.6% in 1H 2023 (1H 2022: 28.4%) and the gross profit contribution of EMM Products decreased by 49.6% to HK\$216.1 million in 1H 2023 (1H 2022: HK\$429.1 million).

In 1H 2023, our production of battery materials including EMD continued to achieve encouraging results. The demand of battery materials products showed signs of recovery as compared to 2H 2022. This is mainly attributable to strong sales performance of electric vehicles which attracted our downstream manufacturers resumed their productions. In the meantime, the Group continued to enjoy the costs advantage from our internal supply of manganese ores from our Gabon Bembélé Manganese Mine and strengthened cost control measures which can partially mitigate the increase in costs of productions. In the long term, Group remains optimistic about this business segment and will continue to focus on seizing market share, securing raw materials supplies, strengthening product research and development, further upgrading our EMD production plants and expanding our production to other battery material products. In 1H 2023, the average selling price of EMD decreased by 3.0% to HK\$15,916 per tonne (1H 2022: HK\$16,405 per tonne), the gross profit ratio decreased by 6.1 percentage points to 44.5% (1H 2022: 50.6%) and the gross profit contribution of EMD recorded a decrease of 24.6% to HK\$289.1 million (1H 2022: HK\$383.4 million).

In summary, mainly due to decrease in gross profit contribution from EMM Products and EMD, the Group's operating profit for 1H 2023 decreased by 70.8% to HK\$184.1 million (1H 2022: HK\$630.5 million).

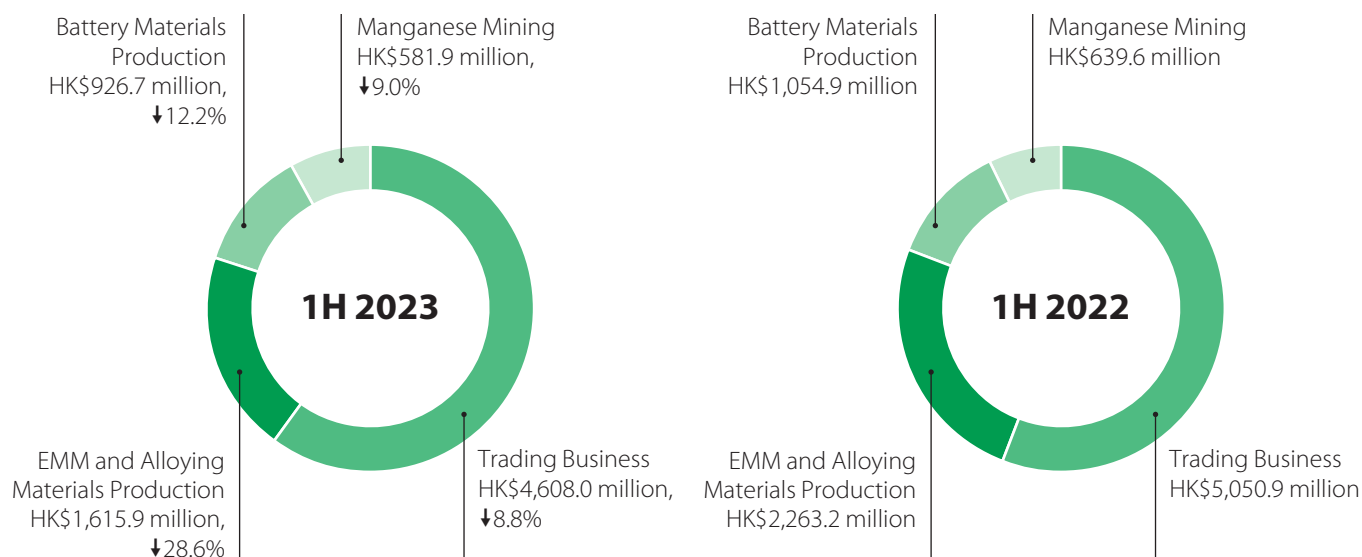
All in all, the earnings before interest, taxes, depreciation and amortisation ("EBITDA") for 1H 2023 decreased by 39.0% to HK\$515.8 million (1H 2022: HK\$844.9 million) and the profit attributable to owners of the Company in 1H 2023 was HK\$134.9 million (1H 2022: HK\$383.2 million).



Management Discussion and Analysis

Comparison with six months ended 30 June 2022

Revenue by segment



In 1H 2023, the Group's revenue was HK\$7,732.5 million (1H 2022: HK\$9,008.6 million), representing a decrease of 14.2% as compared with 1H 2022. The decrease was mainly due to (a) decrease in average selling prices of EMM Products and Alloy Products; (b) decrease in sales volume of Alloy Products and EMD; and (c) decrease in sales revenue from trading business.

In 1H 2023, revenue of our major products EMM Products accounted for 15.9% (1H 2022: 16.8%) of our total revenue.

Management Discussion and Analysis

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 (%)
Six months ended 30 June 2023							
Gabon ore	593,476	867	514,569	673	399,627	114,942	22.3
Manganese concentrate	163,879	354	57,952	318	52,127	5,825	10.1
Natural discharging manganese powder and sand	3,533	2,657	9,387	522	1,843	7,544	80.4
Total	760,888	765	581,908	596	453,597	128,311	22.1
Six months ended 30 June 2022							
Gabon ore	628,652	959	603,103	649	408,272	194,831	32.3
Manganese concentrate	66,945	446	29,884	400	26,793	3,091	10.3
Natural discharging manganese powder and sand	1,965	3,346	6,574	511	1,004	5,570	84.7
Total	697,562	917	639,561	625	436,069	203,492	31.8

In 1H 2023, revenue of manganese mining segment decreased by 9.0% to HK\$581.9 million (1H 2022: HK\$639.6 million) mainly due to decrease in average selling price of Gabon ore. This leads to decrease in gross profit of manganese mining segment by 36.9% to HK\$128.3 million (1H 2022: HK\$203.5 million).

In 1H 2023, the manganese mining segment recorded a profit of HK\$75.0 million (1H 2022: HK\$25.4 million), an increase of 194.9%, mainly attributable to impairment losses on mining rights of HK\$126.3 million recognised in 1H 2022.



Management Discussion and Analysis

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/(loss) (HK\$'000)	Gross Profit/(Loss) Margin (%)
Six months ended 30 June 2023							
EMM	76,133	14,634	1,114,095	12,067	918,680	195,415	17.5
Manganese briquette	7,473	15,320	114,489	12,551	93,791	20,698	18.1
	83,606	14,695	1,228,584	12,110	1,012,471	216,113	17.6
Alloy Products	49,483	7,541	373,143	8,044	398,024	(24,881)	(6.7)
Others	24,630	575	14,154	580	14,277	(123)	(0.9)
Total	157,719	10,245	1,615,881	9,034	1,424,772	191,109	11.8
Six months ended 30 June 2022							
EMM	52,614	23,614	1,242,401	17,604	926,196	316,205	25.5
Manganese briquette	8,056	33,316	268,396	19,305	155,520	112,876	42.1
	60,670	24,902	1,510,797	17,830	1,081,716	429,081	28.4
Alloy Products	79,247	9,307	737,563	8,843	700,816	36,747	5.0
Others	397	37,438	14,863	34,718	13,783	1,080	7.3
Total	140,314	16,130	2,263,223	12,802	1,796,315	466,908	20.6

Revenue of EMM and alloying materials production segment decreased by 28.6% to HK\$1,615.9 million in 1H 2023 (1H 2022: HK\$2,263.2 million) mainly attributable to the followings:

- EMM Products continued to be our major products in terms of revenue and the average selling price of EMM Products recorded a decrease of 41.0% to HK\$14,695 per tonne (1H 2022: HK\$24,902 per tonne). The above impact was partially offset by the increase of sales volume of EMM Products by 37.8% to 83,606 tonnes (1H 2022: 60,670 tonnes).
- The revenue of Alloy Products decreased by 49.4% to HK\$373.1 million in 1H 2023 (1H 2022: HK\$737.6 million) mainly attributable to (i) decrease in sales volume of Alloy Products by 37.6% to 49,483 tonnes (1H 2022: 79,247 tonnes); and (ii) decrease in average selling price of Alloy Products by 19.0% to HK\$7,541 per tonne in 1H 2023 (1H 2022: HK\$9,307 per tonne). A gross loss was incurred in 1H 2023 because the production volume decreased as the Group transformed certain of its production lines of silicomanganese alloy to manufacture ferromanganese in 1H 2023.

As a result of decrease in average selling prices of EMM Products and Alloy Products, the gross profit contribution of EMM and alloying materials production segment decreased by 59.1% to HK\$191.1 million (1H 2022: HK\$466.9 million) and this segment recorded a profit of HK\$84.0 million (1H 2022: HK\$305.4 million), representing a decrease of 72.5%.

Management Discussion and Analysis

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 (%)
Six months ended 30 June 2023							
EMD	40,784	15,916	649,102	8,827	359,990	289,112	44.5
Manganese sulfate	13,209	3,279	43,315	2,481	32,769	10,546	24.3
Lithium manganese oxide	3,008	77,891	234,296	92,437	278,051	(43,755)	(18.7)
NCM	-	-	-	-	-	-	-
Total	57,001	16,258	926,713	11,768	670,810	255,903	27.6
Six months ended 30 June 2022							
EMD	46,202	16,405	757,948	8,106	374,535	383,413	50.6
Manganese sulfate	6,958	4,665	32,458	4,320	30,062	2,396	7.4
Lithium manganese oxide	2,967	88,925	263,839	79,953	237,221	26,618	10.1
NCM	3	226,333	679	152,333	457	222	32.7
Total	56,130	18,794	1,054,924	11,443	642,275	412,649	39.1

Revenue of battery materials production segment decreased by 12.2% to HK\$926.7 million (1H 2022: HK\$1,054.9 million) and gross profit of this segment decreased by 38.0% to HK\$255.9 million (1H 2022: HK\$412.6 million) mainly attributable to the followings:

- EMD continued to be our major battery material product and the average selling price of EMD decreased by 3.0% to HK\$15,916 per tonne (1H 2022: HK\$16,405 per tonne) and the sales volume of EMD decreased by 11.7% to 40,784 tonnes (1H 2022: 46,202 tonnes).
- In 1H 2023, the average selling price of lithium manganese oxide decreased by 12.4% to HK\$77,891 per tonne (1H 2022: HK\$88,925 per tonne) in line with sharp decrease in the price of its major raw material lithium carbonate. This also results to a gross loss of lithium manganese oxide in 1H 2023.

As a result, the results of battery materials production segment recorded a profit of HK\$172.9 million (1H 2022: HK\$358.6 million), representing a decrease of 51.8%.



Management Discussion and Analysis

Other business segment

	Revenue (HK\$'000)	Cost of Sales (HK\$'000)	Gross Profit (HK\$'000)	Gross Profit Margin (%)
Six months ended 30 June 2023				
Trading	4,608,036	4,528,399	79,637	1.7
Six months ended 30 June 2022				
Trading	5,050,886	4,999,438	51,448	1.0

Revenue of other business segment decreased to HK\$4,608.0 million (1H 2022: HK\$5,050.9 million), representing a decrease of 8.8%.

Cost of Sales

Total cost of sales decreased by 10.1% to HK\$7,077.6 million in 1H 2023 (1H 2022: HK\$7,874.1 million) in line with the decrease of the revenue.

Gross Profit

In 1H 2023, the Group recorded a gross profit of HK\$655.0 million (1H 2022: HK\$1,134.5 million), which represented a decrease of HK\$479.5 million from 1H 2022, or 42.3%. The Group's overall gross profit margin was 8.5%, representing decrease of 4.1 percentage points from 12.6% in 1H 2022. Overall gross profit margin decrease mainly attributable to decrease in average selling price of EMM Products and Alloy Products.

Other Income and Gains

Other income and gains decreased by 37.4% to HK\$64.0 million (1H 2022: HK\$102.4 million) mainly due to (a) decrease in foreign exchange gains; and (b) decrease in sale of scraps and other materials.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 1H 2023 increased by 14.7% to HK\$84.5 million (1H 2022: HK\$73.7 million) mainly attributable to increase in transportation costs.

Administrative Expenses

Administrative expenses decreased by 22.4% to HK\$312.1 million in 1H 2023 (1H 2022: HK\$402.2 million) mainly attributable to decrease in production halt expenses as in 1H2023 the EMM productions of the Group resumed to normal as contrary to temporary production halts of some EMM plants in the first quarter of the year 2022.

Impairment Losses on Financial Assets, Net

The amount mainly represents impairment allowance on certain long outstanding trade receivables for customers of battery materials.

Finance Costs

For 1H 2023, the Group's finance costs were HK\$119.6 million (1H 2022: HK\$106.9 million), representing an increase of 11.9% which is mainly attributable to (a) increase in interest on notes receivable discounting; and (b) increase in overall borrowings.

Other Expenses

Other expenses of HK\$18.7 million (1H 2022: HK\$23.7 million) mainly represents donations, inspection fees and provisions for late payment charges.



Management Discussion and Analysis

Share of Profits and Losses of Associates

In 1H 2023, share of losses of associates of HK\$70,000 (1H 2022: profits of HK\$346,000) represent share of profits of 16.00%-owned associate Qingdao Manganese, losses of 49.00%-owned Beibu Gulf Canal Company and losses of 20.00%-owned Beibu Gulf Mercantile Exchange.

Income Tax Expense

In 1H 2023, the effective tax rate is 24.7% (1H 2022: 21.6%) which is higher than the statutory preferential corporate income tax rate of China in which the Group mainly operates because certain subsidiaries recording losses in the period did not recognise deferred tax arising from such losses for prudence.

Profit Attributable to Owners of the Company

For 1H 2023, the Group's profit attributable to owners of the Company was HK\$134.9 million (1H 2022: HK\$383.2 million).

Earnings per Share

For 1H 2023, earnings per share attributable to owners of the Company was HK\$0.0393 (1H 2022: HK\$0.1118).

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (1H 2022: Nil).

Liquidity and Financial Resources

Cash and Bank Balances

As at 30 June 2023, the currency denomination of the Group's cash and bank balances including pledged deposits are as follows:

Currency denomination	30 June 2023 HK\$ million	31 December 2022 HK\$ million
Denominated in:		
RMB	1,616.8	1,552.2
HKD	2.9	0.9
USD	82.3	49.4
XAF	3.8	3.7
EUR	–	0.1
	1,705.8	1,606.3

As at 30 June 2023, our cash and bank balances including pledged deposits were HK\$1,705.8 million (31 December 2022: HK\$1,606.3 million) while the Group's borrowings amounted to HK\$4,316.6 million (31 December 2022: HK\$4,460.4 million). The Group's borrowings net of cash and bank balances amounted to HK\$2,610.8 million (31 December 2022: HK\$2,854.1 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

At 30 June 2023, trade and notes receivables of the Group decreased by HK\$321.2 million to HK\$1,162.8 million (31 December 2022: HK\$1,484.0 million) mainly attributable to increase in discounting of notes receivable to contain cash level.



Management Discussion and Analysis

Net Current Liabilities

As at 30 June 2023, the Group had net current liabilities of HK\$648.1 million (31 December 2022: HK\$746.3 million). The decrease in net current liabilities because the balance of bank and other borrowings slightly decreased.

Bank and Other Borrowings

As at 30 June 2023, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	30 June 2023 HK\$ million	31 December 2022 HK\$ million
Secured borrowings (including lease liabilities)	730.9	841.3
Unsecured borrowings	3,585.7	3,619.1
	4,316.6	4,460.4

Maturity profile	30 June 2023 HK\$ million	31 December 2022 HK\$ million
Repayable:		
On demand or within one year	3,165.1	3,266.9
After one year and within two years	365.7	735.7
After two years and within five years	785.8	457.8
	4,316.6	4,460.4

Currency denomination	30 June 2023 HK\$ million	31 December 2022 HK\$ million
Denominated in:		
RMB	4,312.5	4,147.4
USD	–	312.0
HK\$	4.1	1.0
	4,316.6	4,460.4

As at 30 June 2023, borrowings as to the amounts of HK\$3,052.0 million (31 December 2022: HK\$3,534.7 million) and HK\$1,264.6 million (31 December 2022: HK\$925.7 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 2.24% to 8.25%. The floating rate borrowings carry interest up to a premium up to 10% above the China Loan Prime Rate.

Overall, aggregate borrowings decreased to HK\$4,316.6 million (31 December 2022: HK\$4,460.4 million). The Group continues to explore various means including short-term or medium-term notes and more long-term bank loans to improve borrowing structure in terms of interest rate level and repayment terms.

Charge on Group Assets

As at 30 June 2023, (a) right-of-use assets of HK\$35.6 million (31 December 2022: HK\$40.7 million) related to property, plant and equipment were held under leases; (b) bank balances of HK\$755.8 million (31 December 2022: HK\$430.8 million) were pledged to secure certain of the Group's bank acceptance notes payable and bank borrowings; and (c) property, plant and equipment and leasehold lands of HK\$560.5 million (31 December 2022: HK\$616.5 million) and trade receivables of HK\$53.4 million (31 December 2022: HK\$42.4 million) were pledged to secure certain of the Group's bank and other borrowings.

Management Discussion and Analysis

Major Guarantees

As at 30 June 2023, the outstanding bank loan of an associate, in which the Group has a 33% equity interest, was secured by the associate's leasehold land and property, plant and equipment and guaranteed by the Group and the holding company of the associate according to their respective shareholding percentage on a several basis.

As at 30 June 2023, the associate's banking facilities guaranteed by the Group and the holding company of the associate amounted to RMB800.0 million (equivalent to HK\$867.7 million) (31 December 2022: RMB800.0 million, equivalent to HK\$904.4 million) and were utilised to the extent of RMB552.9 million (equivalent to HK\$599.7 million) (31 December 2022: RMB554.9 million, equivalent to HK\$627.3 million).

Prior year adjustments

In preparing the consolidated financial statement for the year ended 31 December 2022, management has identified some prior year adjustments to the prior year consolidated financial statements. Therefore, to conform with the presentation of the financial statements for the six months ended 30 June 2023, the corresponding prior year adjustments were made to the financial statements for the six months ended 30 June 2022. A detailed description of the nature of these adjustments are further discussed below.

Adjustment I

With regard to the investments in certain non-wholly owned subsidiaries, a difference was noted between "Non-controlling interests" and "Reserves" because the Group did not attribute the losses of these subsidiaries to the non-controlling interests ("NCI") proportionate to the shareholding percentage.

This resulted in understatement of "Reserves" and overstatement of "Non-controlling interests" as at 31 December 2021 and understatement of "Profit attributable to non-controlling interests" for the six months ended 30 June 2022.

Adjustment II

During the year 2022, management has confirmed the understanding with the Social Security Bureau about the requirements of the interests in relation to social security welfare contribution, and considered that this constitutes a present obligation for a provision to be recognised.

This resulted in understatement of "Other payables and accruals", overstatement of "Reserves", and overstatement of "Non-controlling interests" as at 31 December 2021; and understatement of "Finance costs" for the six months ended 30 June 2022.

Adjustment III

The Group carried out tax planning arrangement in relation to some subsidiaries in the past. During the year 2022, management revisited the tax positions of the Group and considered that the Group may be subject to additional income tax expenses and relevant expenses in relation to late payment, taken into account the statute of limitations.

This resulted in understatements of the "Other payables and accruals" and "Tax payables", overstatement of "Reserves", and overstatement of "Non-controlling interests" as at 31 December 2021; and understatement of "Other expenses" for the six months ended 30 June 2022.

Management considered that the above adjustments are required to be made to the comparative information presented so as to ensure that the consolidated financial statements presented are in compliance with HKFRSs, enhancing the comparability with the current period's results. The adjustments did not have any material impact on the Group's cash flows.



Management Discussion and Analysis

A summary of the accumulated effects of the restatements on the consolidated statement of financial position of the Group as at 31 December 2021 and on the consolidated statement of profit or loss and other comprehensive income of the Group for the six months then ended 2022 by each financial statement line item affected are presented in the table below:

	As previously reported HK\$'000	Adjustment I HK\$'000	Adjustment II HK\$'000	Adjustment III HK\$'000	As restated HK\$'000
Effect on the Group's consolidated statement of financial position as at 31 December 2021					
Other payables and accruals	2,009,900	–	93,294	93,459	2,196,653
Tax payables	206,723	–	–	121,990	328,713
Reserves	2,764,519	170,423	(59,708)	(109,879)	2,765,355
Non-controlling interests	(62,789)	(170,423)	(33,586)	(105,570)	(372,368)
Effect on the Group's consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2022					
Other expenses	(5,392)	–	–	(18,298)	(23,690)
Finance costs	(97,830)	–	(9,025)	–	(106,855)
Profit for the period	424,979	–	(9,025)	(18,298)	397,656
Profit for the period attributable to:					
Owners of the Company	453,339	(55,032)	(5,776)	(9,332)	383,199
Non-controlling interests	(28,360)	55,032	(3,249)	(8,966)	14,457
	424,979	–	(9,025)	(18,298)	397,656
Earnings per share attributable to owners the Company					
Basic	0.1322	(0.0160)	(0.0017)	(0.0027)	0.1118
Diluted	0.1322	(0.0160)	(0.0017)	(0.0027)	0.1118
Total comprehensive income for the period	241,847	–	(8,503)	(18,298)	215,046
Total comprehensive income for the period attributable to:					
Owners of the Company	265,245	(55,032)	(5,442)	(9,332)	195,439
Non-controlling interests	(23,398)	55,032	(3,061)	(8,966)	19,607
	241,847	–	(8,503)	(18,298)	215,046

Management Discussion and Analysis

Key Financial Ratios of the Group

	30 June 2023	31 December 2022
Current ratio	0.91	0.89
Quick ratio	0.65	0.63
Net Gearing ratio	82.6%	90.1%

Current ratio = balance of current assets at the end of the period/balance of current liabilities at the end of the period

Quick ratio = (balance of current assets at the end of the period – balance of inventories at the end of the period)/balance of current liabilities at the end of the period

Net Gearing ratio = Calculated as net debt divided by equity attributable to owners of the Company. Net debt is defined as the sum of interest-bearing bank and other borrowings less cash and cash equivalents and pledged deposits

At 30 June 2023, current ratio and quick ratio remains constant compared with 31 December 2022. Net gearing ratio improved mainly due to profit attributable to owners of the Company in 1H 2023.

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 preparing the interim condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$648.1 million as at 30 June 2023. Subsequent to the end of the reporting period, the Group has successfully renewed or obtained new bank loans of HK\$1,446.4 million during the period from 1 July 2023 up to 30 September 2023. The directors of the Company, also taking into account of internally generated funds from its operations and successful renewals of bank loans during the period and after the reporting date, are of the opinion that, the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period. Accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.



Management Discussion and Analysis

Credit Risk

The Group endeavoured to maintain strict control over its outstanding receivables to minimise credit risk. 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 normally did not hold any collateral or other credit enhancements over its trade and notes receivable balances.

As at 30 June 2023, the customer with the largest balance of trade and notes receivables of the Group was a customer together with its subsidiaries ("**Customer A**") which is principally engaged in manganese ferroalloy production and manganese ore trading in China. As at 30 June 2023, trade receivables from Customer A was HK\$232.7 million (31 December 2022: HK\$232.5 million) and represented 24.0% (31 December 2022: 21.8%) of the Group's total trade receivables, which was totally overdue and fully provided as at 30 June 2023 and 31 December 2022. The Group is now in the process to negotiate a repayment schedule with Customer A and preparing for legal proceedings with an aim to speed up the collections of the outstanding balance.

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. If the China Loan Prime Rate increases, 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.

Foreign exchange risk

The Group's operations are primarily in Hong Kong, China and Gabon. Foreign exchange risks for operations in each location are set out below.

- (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 from overseas suppliers which are denominated in United States dollars to cope with its production of alloy materials and trading purpose. 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 may enter 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, our income is substantially denominated in RMB and United States dollars and all major local operating expenses are denominated in RMB and XAF, which is pegged EURO, while the freight charges are denominated in United States dollars.



Management Discussion and Analysis

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

In 1H 2023, the global inflationary pressures carried from the year 2022 still existed. Western countries prolonged and strengthened the high interest policy to contain the inflation, which on the other hand cooling down investing activities globally. In China, the PRC government aimed at stimulating demand to boost its economies in order to recover from the pandemic. As such, the markets were shadowed from the above uncertainties and full of challenges ahead.

Despite the above, the Group's operating performance improved significantly and sustain its profitability since 2021. The Group will continue to focus on five business segment, i.e. ore and traditional manganese-related products, new energy materials, alloying materials, supply chain logistics and integrated solid waste recycling. The Group will also continue to improve internal efficiency and management skills to reduce costs and increase productivity and competitiveness, so as to carry on the good momentum in the following years.

As the second largest EMM manufacturer and supplier in China, we integrate the aims and requirements of the government to achieve "carbon peak and carbon neutrality", work with the initiatives and plans of working committee of Metallurgical Mines' Association of China EMM Innovation Alliance ("中國冶金礦山企業協會電解金屬錳創新聯盟"), strengthen the synergies of the industry with common objectives to improve and upgrade our industry, accelerate eco-friendly development and achieving sustainable development, which are achieving notable progress. The sector outlook is expected to be challenging in the second half of the year 2023 as steel manufacturers continue to face challenges, such as oversupply and rising production costs which weaken their demand for our EMM Products. To weather the storm, major players in EMM sector jointly promote and launch out measures such as production restriction to cut EMM supply and technical upgrades.

As the largest EMD manufacturer in China, we are optimistic about the development of battery materials production segment and continue to strengthen our leading position and carry out technical research and development to upgrade the quality of our battery material products including EMD and lithium manganese oxide to enhance their value and further extend the applications in electric vehicles and other electric tools and equipment. The Group will actively respond to carbon reduction targets initiated by the PRC government for the 14th Five-Year Plan period and pave the way to seize opportunities brought by such targets, including the optimization of industry structure and energy structure as well as the upgrade and replacement in the industry and the improvement of energy efficiency. It announced the "Green stimulus package" with a scale close to US\$195 billion focusing on accelerating the development of industries with established development foundation, such as new energy and electric vehicles. The rapid development of green manufacturing industries, such as new materials and new energy vehicles, will provide a vastly broad market and opportunities for one of the Group's major businesses – cathode materials for batteries (including EMD, lithium manganese oxide and high purity manganese sulfate).



Management Discussion and Analysis

Change of Auditors

For the purpose of maintaining good corporate governance practice and enhancing its standard, the Board and the audit committee of the Company consider that the auditor of the Company should be rotated after an appropriate period of time. Since Ernst & Young (“**EY**”) has been appointed as the Company’s auditor since listing, the management of the Company had discussions with EY about the proposal to change the auditor of the Company, and as a result EY tendered its resignation as auditor of the Company. EY has resigned as the auditor of the Company with effect from 19 October 2022. PricewaterhouseCoopers (“**PwC**”) has been appointed as the new auditor of the Company with effect from 19 October 2022 to fill the casual vacancy occasioned by the resignation of EY. Please refer to the announcement of the Company dated 19 October 2022 for further details.

PwC resigned as the auditor of the Company with effect from 31 July 2023. RSM Hong Kong has been appointed as the new auditor of the Company with effect from 18 August 2023 to fill the casual vacancy following the resignation of PwC and to hold office until conclusion of the next annual general meeting of the Company. Please refer to the announcements of the Company dated 2 August 2023 and 18 August 2023 for further details.

Suspension of trading, resumption guidance and resumption progress

On 28 March 2023, the Company received a letter from the former auditor of the Company, PwC regarding PwC’s suggestions concerning the Ghana manganese ore trading business of the Group (“**Audit Issues**”). Trading in shares of the Company on the Stock Exchange has been suspended with effect on 30 March 2023.

By way of letter dated 24 May 2023, the Stock Exchange imposed the following resumption guidance (the “**Resumption Guidance**”) for the Company:

- (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (ii) conduct an appropriate independent investigation into the Audit Issues, assess their impact on the Company’s business operation and financial position, announce the findings and take appropriate remedial actions;
- (iii) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules;
- (iv) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules; and
- (v) inform the market of all material information for the Company’s shareholders and other investors to appraise the Company’s position.

The Stock Exchange has stated that the Company must meet all Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in its securities is allowed to resume and for this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange has further stated that it may modify or supplement the Resumption Guidance if the Company’s situation changes. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 29 September 2024. If the Company fails to remedy the issues causing its trading suspension, fulfil the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in its shares by 29 September 2024, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company’s listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

Management Discussion and Analysis

On 31 March 2023, the Company has established an independent investigation committee, consisting of three independent non-executive directors of the Company (the “**Independent Investigation Committee**”) to commission and lead the investigation to be conducted by independent professional advisor(s) on the addressed audit issues as requested by PwC (the “**Independent Investigation**”).

On 25 May 2023, the Independent Investigation Committee has engaged RSM Corporate Advisory (Hong Kong) Limited (currently known as “Acclime Corporate Advisory (Hong Kong) Limited”), as an independent forensic accountant (“**Independent Forensic Accountant**”), to undertake the Independent Investigation. The Independent Forensic Accountant has completed the Independent Investigation and issued the report on the Independent Investigation and provided therein recommendations (the “**Independent Investigation Report**”) to the Independent Investigation Committee on 15 September 2023. The Independent Investigation Committee, having reviewed the findings and results of the Independent Investigation, presented the Independent Investigation Report together with its recommendations, to the Board for consideration and approval. The Board concurred with the Independent Investigation Committee that the Independent Forensic Accountant has investigated into the Audit Issues raised by PwC and adequately addressed the concerns raised by PwC. The findings of the Independent Investigation in the Independent Investigation Report are reasonable and acceptable. The Board accepts the Independent Investigation Committee’s suggestions to strengthen the procedure in relation to the Ghana manganese ore trading business in order to control the inherent risks.

On 28 July 2023, the Company has appointed SWRS Risk Services Limited as an independent internal control consultant (the “**Independent Internal Control Consultant**”) to conduct an independent internal control review (the “**Internal Control Review**”) on certain aspects of the Group’s internal control procedure, system and control measures in order to fulfil the Resumption Guidance. The Independent Internal Control Consultant has completed the Internal Control Review and has issued a report of its findings and follow up review result (the Internal Control Review Report”). The Board, having reviewed the Internal Control Review Report, considered that (i) the Internal Control Review Report has adequately assessed the effectiveness of the internal controls of the Group and ascertained certain internal control deficiencies; (ii) the identified internal control deficiencies have been remediated; and (iii) the remedial actions and improvement measures implemented by the Group are adequate and sufficient to address the identified internal control deficiencies.

For more details regarding the Audit Issues, the Resumption Guidance, the findings of the Independent Investigation and Internal Control Review, and the latest quarterly update on the resumption progress, please refer to the announcements of the Company dated 29 March 2023, 28 May 2023, 20 September 2023, 26 September 2023 and 29 September 2023.

The Company is taking appropriate steps to remedy the issues causing the Suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in the shares is allowed to resume. The Company will keep its shareholders and public informed of the developments in this regard by making further announcements as and when appropriate.



Environmental, Social and Governance Report

We always adhere to the concept of sustainable development including using scientific design and taking advanced, reasonable and effective measures to exploit mine resources scientifically, orderly, and reasonably. While becoming bigger and stronger in the industry, we always maintain the harmony between man and nature, demonstrate a new image of a good and responsible mining company.

Now we have around 7,000 employees in Hong Kong, Guangxi, Guizhou, China and Gabon, Africa. In addition to continue our long-term goal to provide quality products to our valuable clients in an environmental friendly manner, we are also keen to establish a quality operation system, to protect the safety and health of our employees and also to provide contribution to the surrounding community in which we have businesses.

Materiality

The Group has been publishing the Environmental, Social and Governance (“ESG”) report in its interim report and annual report. This report has been approved by the Board and set out in the Company’s interim report. As part of the preparation for compiling this report, we undertake a preliminary review of the material topics that have affected and continue to affect our business, and our actions to address them. This report concentrated on the sustainability topics which we consider of interest to our key stakeholders, which include national and regional government, community members, our workforce and business partners.

A matter is considered to be material if, in the view of the Board and senior management, it is of such importance that it will, or potentially could, in the short, medium or long term:

- have a significant influence on, or is of particular attention to, our stakeholders; or
- substantively impact our ability to meet our strategic objectives.

Once identified, each material issue is given a priority level based on the level of concern shown by stakeholders, as well as its actual and/or potential impact on the business. The issues which we identified as being material are in the following four aspects, in no order of priority:

- Safety Production and Labour Protection;
- Energy Savings and Environmental Protection;
- Quality Operation System Establishment, Employment Training and Growth; and
- Social Contribution, Living Environment and Culture Development.

The Group attaches great importance to ESG management and incorporates it into the Company’s management process. The Board assumes full responsibility for the Group’s ESG strategy and reporting and is responsible for assessing and determining the Group’s ESG-related risks and ensuring appropriate and effective ESG risk management and proper implementation of the internal monitoring system.

The Group attaches great importance to the communication with stakeholders, by disseminating the Company’s ESG concepts and practices through raises channels, understanding the concerns of stakeholders and taking action to meet their reasonable expectations and demands.

Basis of preparation

Unless otherwise stated, the basis for preparation of this report is same as the past years. The data in this report, covers companies, assets and projects in which we have operational control (where we have full authority to implement our operating policies), but does not cover our associated companies.

Environmental, Social and Governance Report

Basis of preparation (continued)

A summary of our key performance indicators in the aforesaid four critical areas during the six months ended 30 June 2023 is set out in the following table:

Critical Areas	Key performance indicators	Six months ended 30 June		
		2023	2022	2021
Safety Production and Labour Protection	Number of Fatalities (Note 1)	0	0	0
	Number of Injuries	0	0	0
	Number of Lost Days Caused by Injuries (Note 2)	0	0	0
Energy Savings and Environmental Protection	Total Electricity Consumption (MWh) (Note 3)	951,691	832,120	1,122,468
	(i) Electricity Intensity of EMM (kWh per tonne) (Note 4)	6,300	6,394	6,574
	(ii) Electricity Intensity of EMD (kWh per tonne) (Note 5)	1,953	1,877	2,003
	(iii) Electricity Intensity of silicomanganese alloy (kWh per tonne) (Note 6)	4,202	3,888	3,960
	Total Water Consumption (Tonnes) (Note 7)	2,690,309	3,076,751	1,925,418
	(i) Water Intensity of EMM (m ³ per tonne) (Note 8)	2.73	4.21	1.45
	(ii) Water Intensity of EMD (m ³ per tonne) (Note 9)	11.03	1.37	2.86
	(iii) Water Intensity of silicomanganese alloy (m ³ per tonne) (Note 10)	3.44	0.92	2.09
	Exhaust Gas Emission (Tonnes) (Note 11)	24	48	23
	Greenhouse Gas Emission (Tonnes) (Note 12)	78,478	104,685	–
	Waste Slag Volume (Tonnes)	1,191,361	819,144	1,293,848
	Non-hazardous Waste Produced (Tonnes) (Note 13)	460,065	532,036	435,798
	Total Packaging Material Used for Finished Products Number	613,132	1,095,626	509,612
	Quality Operation System Establishment, Employment Training and Growth	Number of Suppliers	484	400
Number of Complaint against our Products		1	1	0
Number of Complaints and/or Legal Cases regarding Corrupt Practices		0	0	0
Number of Employees		6,861	7,150	7,090
Female Ratio (percentage)		29.0	29.5	30.7
Social Contribution, Living Environment and Culture Development	Donation (HKD)	379,500	977,000	384,481



Environmental, Social and Governance Report

Basis of preparation (continued)

Notes:

1. Fatality is the death of an employee as a result of an occupational illness/injury/disease incident in the course of employment.
2. An occupational illness/injury/disease sustained by an employee causing him/her to miss one scheduled workday/shift or more after the day of the injury.
3. The figures include the total electricity consumption for all the EMM, EMD and silicomanganese alloy processing plants.
4. The figures include the consolidated average electricity usage (kWh) per EMM (tonne) for our EMM production by our EMM plants.
5. The figures include the average electricity usage (kWh) per EMD (tonne) for EMD production by our EMD plants.
6. The figures include the average electricity usage (kWh) per silicomanganese alloy (tonne) for our silicomanganese alloy production by our silicomanganese alloy plants.
7. The figures include the total water consumption for the EMM, EMD and silicomanganese alloy processing plants.
8. The figures include the consolidated average water usage (m³) per EMM (tonne) for our EMM production by our EMM plants.
9. The figures include the average water usage (m³) per EMD (tonne) for our EMD production by our EMD plants.
10. The figures include the average water usage (m³) per silicomanganese alloy (tonne) for our silicomanganese alloy production by our silicomanganese alloy plants.
11. The figures include the exhaust gas emissions for Qinzhou Ferroalloy Plant and Xingyi Ferroalloy Plant.
12. The figures include the greenhouse gas emission for Qinzhou Ferroalloy Plant and Xingyi Ferroalloy Plant during the six months ended 30 June 2023 and 30 June 2022. But no such figures of Xingyi Ferroalloy Plant were collected for the six months ended 30 June 2021.
13. The figures include the tailings produced by Daxin Mine, Tiandeng Mine, Changgou Manganese Mine and Bembélé Manganese Mine during the six months ended 30 June 2023. Since Waifu Manganese Mine has not come into formal mining production, therefore no tailings were produced in Waifu Manganese Mine during the six months ended 30 June 2023.



Environmental, Social and Governance Report

1. Safety Production and Labour Protection

Safety production and labour protection are our top priority. We insist on safety production and continue to strengthen the safety awareness of our workers.

During the six months ended 30 June 2023, our major measures are as follows:

(1) Strict Implementation of the Establishment and Execution of the Safety Production System:

In China, we continued to strictly implement the “Six Major Safety Systems” in our Daxin Mine, Tiandeng Mine and Changgou Manganese Mine.

(2) Strict Implementation of Safety Production Responsibility System:

We continued to strictly implement the safety production responsibility system, requiring each of our production units to endorse and implement the production safety responsibility commitments, which are also part of the appraisals for our employees, so as to ensure our safety system is in place.

(3) Establishment of Safety Production Standardisation System:

In China, we continued to reinforce our efforts on production safety standardisation for metallurgical and non coal enterprises, including, inter alia, the followings:

- (i) Daxin Branch maintained the qualification for second level safety standardization in respect of EMM plants and EMD plants;
- (ii) Chongzuo Branch maintained the qualification for second level safety standardization; and
- (iii) Qinzhou Ferroalloy Plant maintained the qualification for the second level safety standardization.

(4) Reinforcement of Production Safety Concept to our employees:

In China, we continued to reinforce the production safety concept to our employees, including, inter alia, the following:

- (i) We continued to carry out safety inspection activities; and
- (ii) We commenced “Safety Production Month” activities, safety knowledge trainings, safety knowledge competition and first aid rescue etc. series of activities regarding safety production.
- (iii) Since the outbreak of the novel coronavirus, we have 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.



Environmental, Social and Governance Report

1. Safety Production and Labor Protection (continued)

(5) Strict Compliance with Labour Standards:

Our employment policies strictly followed the prevailing laws and regulations regarding the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

We prohibited the employment of child, forced or compulsory labour in any of our operations. During the six months ended 30 June 2023, we did not identify any operation or supplier as having significant risk of child labour, young workers exposed to hazardous work, or forced or compulsory labour.

(6) Continuous Investment to the Safety Measures:

We committed to invest in our safety measures for labor protection, including protection accessories, dust prevention and noise removal facilities. During the six months ended 30 June 2023, we have conducted a review in respect of our workplaces regarding the existing adverse effect of occupational diseases and occupational diseases testing and enhanced the protection equipments with those dangerous positions so as to protect the health of our employees.

Since the outbreak of COVID-19 pandemic, we have set up monitors in mining areas, office areas, and living areas, strictly implement regular disinfection in public areas, especially twice a day in public areas such as canteens, offices, elevators, toilets, etc., and four times a day in high-risk areas, in order to create safe and hygienic working environment for the employees. In the meantime, we actively purchased anti-epidemic materials to provide protection for employees' health.

We strongly believe that our carefully designed safety production system, thoroughly implemented and continuous reassessment, can provide sufficient protection to protect the health and safety of our employees.

As a result of our continuous stringent control in respect of the production safety, we continued to keep relatively low fatalities and the number of injuries in respect of our employees continued to remain at a relatively low level.

Set out below is a summary of the fatalities, number of injuries, fatality rate and loss of days caused by injuries during the six months ended 30 June 2023:

Number of Fatalities (by Location)	Six months ended 30 June		
	2023	2022	2021
Hong Kong	0	0	0
Mainland China	0	0	0
Gabon	0	0	0
Total	0	0	0

Number of Injuries (by Location)	Six months ended 30 June		
	2023	2022	2021
Hong Kong	0	0	0
Mainland China	0	0	0
Gabon	0	0	0
Total	0	0	0



Environmental, Social and Governance Report

1. Safety Production and Labor Protection (continued)

Fatality Rate (%) (by Location)	Six months ended 30 June		
	2023	2022	2021
Hong Kong	0	0	0
Mainland China	0	0	0
Gabon	0	0	0
Total	0	0	0

Number of Lost Days Caused by Injuries (by Location)	Six months ended 30 June		
	2023	2022	2021
Hong Kong	0	0	0
Mainland China	0	0	0
Gabon	0	0	0
Total	0	0	0

The number of lost days caused by injuries during the six months ended 30 June 2023 maintained at low level due to our efforts in the enhancement of safety production measures.

We will continue to the training towards our workers and actively implemented and reinforced our production safety measures, in order to protect the safety and health of our employees.

Compliance with Safety Production Rules and Regulations and Labour Standards

During the six months ended 30 June 2023, we continued to strictly follow all the prevailing laws and regulations regarding safety production and labour standards in Hong Kong, Mainland China and Gabon. To the best of our information and knowledge, there are no material non-compliance with the prevailing laws and regulations regarding safety production and labour standards by the Group during the six months ended 30 June 2023.

2. Energy Savings and Environmental Protection

Strict Supervision of Resource Consumption

Our electricity are provided by the local electricity companies or generated by our electricity generators. Our water are either extracted from the rivers or provided by the water supplies authority of the local regions which we operate. The supply of electricity and water are fit for our operation or production purposes and are provided in a stable and effective manner.

We continued to strictly monitor our resources consumption on an ongoing basis and take effective measures to increase energy efficiency. The electricity consumption and water consumption (including electricity and water intensity) are our top priorities. During the six months ended 30 June 2023, we collected the figures for total electricity consumption and water consumption for all the EMM, EMD and silicomanganese alloy processing plants. Details are set out in the following table:

	Six months ended 30 June		
	2023	2022	2021
Electricity Consumption (MWh)	951,691	832,120	1,122,468
(i) Electricity Intensity of EMM (kWh per tonne)	6,300	6,394	6,574
(ii) Electricity Intensity of EMD (kWh per tonne)	1,953	1,877	2,003
(iii) Electricity Intensity of silicomanganese alloy (kWh per tonne)	4,202	3,888	3,960
Water Consumption (Tonnes)	2,690,309	3,076,751	1,925,418
(i) Water Intensity of EMM (m ³ per tonne)	2.73	4.21	1.45
(ii) Water Intensity of EMD (m ³ per tonne)	11.03	1.37	2.86
(iii) Water Intensity of silicomanganese alloy (m ³ per tonne)	3.44	0.92	2.09



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

Reduction of Waste Production

Waste is a by-product during the process of our production operation. Due to the different operation processes in our mining and downstream production, different types of waste are generated. Throughout the whole production process from our upstream mining up to downstream operations, the biggest volume of hazardous wastes generated are greenhouse gas, waste water, and waste slag while the biggest volume of non-hazardous wastes generated are tailings. Beyond that, the volume of solid and liquid waste we generate is small and the risk of significant environmental spills or leakages is low. We are committed to reducing our various kinds of waste production through technical innovation, so as to reduce their impact on the natural environment.

(1) Exhaust Gas and Greenhouse Gas Emissions

The exhaust gas and greenhouse gas emissions are mainly caused during the silicomanganese alloy production by Qinzhou Ferroalloy Plant and Xingyi Ferroalloy Plant. Beyond that, the exhaust gas and greenhouse gas emissions by our other segment of business is relatively not significant and therefore we have not taken into account. We improved the production technology, reduced energy consumption and continuously and regularly detected exhaust gas and greenhouse gas emissions, so as to reduce the total amount of exhaust gas and greenhouse gas emissions and its impact on the natural environment, and meet the environmental impact assessment implementation standards. Details of our exhaust gas and greenhouse gas emissions are set out as follows:

	Six months ended 30 June		
	2023	2022	2021
Exhaust Gas			
Nitrogen oxides (NOx) (Tonnes)	17	34	21
Sulfur oxides (SOx) (Tonnes)	7	14	2
Total Amount (Tonnes)	24	48	23
Greenhouse Gas			
Scope 1 emissions (Tonnes)	72,681	98,677	–
Scope 2 emissions (Tonnes)	5,797	6,008	–
Total Amount (Tonnes)	78,478	104,685	–

(2) Waste Water

Water is mainly used for our upstream mining operation and downstream EMM and EMD production. The largest volume of water we withdraw from water bodies is used for grinding of our manganese ores and electrolysis process of our EMM and EMD. However, the majority of the water is discharged back to their sources after appropriate treatment in accordance with local environmental laws and regulations to ensure no adverse environmental impact is introduced. Depending on site-specific conditions, operational situations and age, some of these were introduced in the design stage, and some were initiated after production.



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

Reduction of Waste Production (continued)

(3) *Waste Slag*

Waste slags are by products of our various downstream productions. We are committed to reducing our waste slag emissions by strict monitoring and management to ensure such waste slags are processed with proper treatments before disposal. Details of our waste slags are set out as follows:

	Six months ended 30 June		
	2023	2022	2021
Waste Slags Volumes (Tonnes)	1,191,361	819,144	1,293,848

(4) *Non-hazardous Wastes-Tailings*

Tailings are produced during the ore processing process of our upstream mining operation. All these tailings are non hazardous and are directed into our designated tailings dams and tailings storage facilities and when full, replantation will be carried out thereof in order to restore their original ecological structure. Details of tailings produced are set out as follows:

	Six months ended 30 June		
	2023	2022	2021
Tailings Production (Tonnes)	460,065	532,036	435,798

(5) *Packaging Materials used for our finished products*

Packaging bags are used to contain our finished products in accordance with the need of our customers. Details of our packaging bags used are set out as follows:

	Six months ended 30 June		
	2023	2022	2021
Packaging bags	613,132	1,095,626	509,612

We will continue to monitor the environmental effect in respect of our production, continuing to reduce our waste production, so as to minimise the impact on the surrounding ecosystem.

Environmental Regulation: Compliance and Beyond

In China, the implementation of rules and regulations such as 2008-2015 National Mineral Resources Plan, Guangxi Zhuang Autonomous Region Green and Harmonious Mines Construction Management Rules (Trial Version), Guangxi Zhuang Autonomous Region Green and Harmonious Mines Construction Implementation Program and National Land Remediation Plan (2016-2020), have enhanced the green mine constructions regulations and requirements regarding the legal operation, comprehensive utilization, environmental protection, land reclamation, etc. for the mining companies including the Group.

In Gabon, the local government also enhanced the rules and requirements regarding the environmental protection matters.



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

Environmental Regulation: Compliance and Beyond (continued)

Notwithstanding that, during the six months ended 30 June 2023, we continued our investment in environmental protection measures in compliance with the relevant rules and regulations. We have not breached any environmental rules or regulations which resulted in material fines or prosecutions. We believe that rule compliance is only the minimum standard – we treat it as the floor to our environmental performance. We are committed to the responsible management of both the short and long-term impacts of our business on the environment. This commitment goes beyond compliance and applies to all stages of our business – from planning, building, operation, maintenance to the decommissioning of our facilities and equipment.

Energy Savings and Reduction: Continuous Research and Implementation

By strengthening our management method, improving our production facilities and streamlining our production process, we continued our research upon and implement various energy savings and reduction measures. During the six months ended 30 June 2023, we have implemented the following measures:

- (1) Our upstream mining business:
 - (i) we continued to optimize production layout, ensure raw material supply and improve the mining methods, thereby reducing the mining costs;
 - (ii) Through technical improvement, we fully tap the potential of equipment, improve production efficiency and achieve energy saving; and
 - (iii) we continued to strengthened the safety management of underground mining, thereby preventing and reducing production safety accidents and ensuring production efficiency.
- (2) Our downstream business:
 - (i) EMM business:
 - (a) we improved the metal recovery rate during our EMM production process, thereby reducing the unit consumption rate;
 - (b) we carried out safety rectification works in respect of safety and environmental risks for our EMM plants, thereby preventing the happening of safety and environmental accidents; and
 - (c) Our technical center and the production management department jointly held an electrolytic metal manganese technology exchange meeting at Tiandeng Mine, so as to strengthen communication and improve the technical level.
 - (ii) EMD business:
 - (a) we effectively reduced the rinsing times during our EMD production process, and used the recycled rinse water in a systematic manner, thereby reducing the energy consumption; and
 - (b) we increased the chemical leaching efficiency to ensure our quality of electrolysis.



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

Energy Savings and Reduction: Continuous Research and Implementation (continued)

(2) Our downstream business: (continued)

(iii) Silicomanganese alloy business:

- (a) We strengthened the rectification management of equipment hidden dangers and reduce the occurrence of equipment accidents; and
- (b) We continued to reform and innovate, optimize the current production process, and actively explore new process technologies to reduce electricity consumption.

3. Quality Operation System Establishment, Employment Training and Growth

(1) Quality Operation System Establishment

We continued to enhance our quality operation system, so as to increase our operational efficiency and effectiveness.

(i) Supply Chain Management

Our suppliers and contractors provide us a wide range of products and services, including fuel and equipment for our upstream mining operations; electricity and other raw materials for our downstream operations; packaging bags and other related accessories for the sales of our final products as well as underground technology innovation construction service and subcontracting processing services, etc. When selecting suppliers, we will encourage them to use as many environmentally friendly products and services as possible, and we have made relevant green procurement policies.

Details of the number of our suppliers are set out as follows:

Number of our suppliers	Six months ended 30 June		
	2023	2022	2021
Hong Kong	1	1	1
Mainland China	477	392	361
Gabon	6	7	5
Total	484	400	367

All our suppliers are required to be assessed for their capabilities to fulfill our business needs and such assessment is based on a combination of different and various factors such as their track record, reputation, production capacity as applicable.

In addition, we continued to keep close supervision in respect of procurement practice of normal operation. Save and except for those special suppliers, all other suppliers and contractors are selected based on public auction with strict comparison and assessment.

Furthermore, we also continued to carry out assessment and internal audit in respect of our suppliers on a regular basis, so as to assess whether such suppliers continue to meet our request.



Environmental, Social and Governance Report

3. Quality Operation System Establishment, Employment Training and Growth (continued)

(1) Quality Operation System Establishment (continued)

(ii) Product Quality Supervision

The whole production process, commencing from procurement, production up to after sales services, are strictly complied with ISO9001:2015 quality management requirement.

We continued our improvements and researches on our production technique and have applied and were granted various patents licenses thereof. All our products (including but not limited to our product advertisements and labels) strictly meet the national and our sector standards and our client's requirements. Among which, our major products, EMM, EMD and manganese sulfate are rewarded with recognition of "Quality products of Guangxi" since 2015 and have passed the inspection by the relevant PRC quality assessment bureau.

We continued to provide our clients with quality after sales service and comply with our stringent products quality and safety control system, e.g. "Customers Satisfaction and Complaints Assessment Procedure" and "Products Recall Procedures" etc.

As a result of our continuous stringent control in respect of the quality of our products, the complaints and/or recalls we received in respect of our products continued to remain at a low level. During the six months ended 30 June 2023, the complaints and/or recalls we received in respect of our products are as follows:

	Six months ended 30 June		
	2023	2022	2021
Number of products related complaints and/or recalls received	1	1	0

(iii) Probity Operating System Establishment

We continued to establish a clean and efficient business environment, including, inter alia, establishment of anti bribery regulation, inclusion of probity system as annual object responsibility audit, execution of probity agreement with our suppliers, and provision of notification letters of reporting channels etc. We enhanced the responsibility assessment of the department heads and established rational and effective management mechanism to prevent our employees from being engaged in illegal activities such as bribery, extortion, fraud and money laundering, etc.

During the six months ended 30 June 2023, the complaints or legal cases regarding corruption we received are as follows:

	Six months ended 30 June		
	2023	2022	2021
Number of Complaints and/or Legal Cases regarding Corrupt Practices	0	0	0



Environmental, Social and Governance Report

3. Quality Operation System Establishment, Employment Training and Growth (continued)

(1) Quality Operation System Establishment (continued)

(iv) Our Code of Conduct and Personal Privacy Protection

All our management and staff are subject to our code(s) of conduct which we implement and review from time to time and such code(s) places them under specific obligations as to the ethics and principles by which our business is conducted. Non-compliance with the code(s) of conduct results in disciplinary action. Disciplinary measures are decided by the relevant line management. These measures are then subject to review and endorsement by the board of directors, in order to ensure the consistency and fairness of treatment.

We monitor and periodically document any complaints related to breaches of customer privacy and loss of customer data. No customer privacy and data loss cases have been reported or noted during the six months ended 30 June 2023.

(2) Employment Training and Growth

We arranged trainings at all levels of our employees through multi-channels, multi-formats and multi-levels. The key statistics in respect of our training for our employees are set out in the Human Resources Report. In summary, various different training courses were held during the six months ended 30 June 2023, effectively improving the quality of staff, and promoting development of our employees.

During the six months ended 30 June 2023, our major training activities and projects are as follows:

- (i) Training on “Emotional Intelligence Leadership and Innovative Thinking for Managers”;
- (ii) “2023 Enterprise R&D Investment Expense Collection Special Training” of the Open Course of South Manganese;
- (iii) “Guangxi Future Factory, Smart Factory and Digital Workshop Enterprise Declaration and Policy Interpretation”;
- (iv) Symposium on “Establishing both breakthroughs and accelerating the construction of a unified national market”;
- (v) Training on “Process, Methods and Skills for Internal Audit of National Laboratories and Inspection and Testing Institutions”;
- (vi) “Workplace Etiquette Training” of the Open Course of South Manganese;
- (vii) 2023 “Safety Production Month” and safety production, environmental protection management knowledge training;
- (viii) Special training on “Labor Relations and Employment Management, Standardized Management of Personnel Files”; and
- (ix) “Human Resources in the Non-ferrous Industry” training course.



Environmental, Social and Governance Report

4. Social Contribution, Living Environment and Culture Development

Our community investment activities complement the way in which our core business contributes to society, by improving the quality of life for communities through donation of our skills, expertise and resources. The three focus areas of our community investment initiatives are: social contribution, living environment and cultural development, details of which are as follows:

- (1) In China, we treasured our social contribution in particular the surrounding community of our mines and the improvement of the living environment of our employees as well as the cultural development, including the followings:
 - (i) We continued to carry out various charitable activities and offer series of poverty alleviation works through employment, education, training, etc. and to the villages or associations surrounding our mines and production plants, including:
 - (a) We actively purchased agricultural and sideline products from poverty-stricken counties as employee benefits to help poverty-stricken areas get rid of Poverty; and
 - (b) Our subsidiaries organized our employees to actively visit nursing centres and orphanages and carry out various charity poverty alleviation activities.
 - (ii) We continued to offer our help and assistance to our employees particularly those in need, including the followings:
 - (a) We have established a file of employees with difficulties and carried out "one-on-one" precision poverty alleviation, that is, each company's management personnel corresponded to a poor employee of the company, and visited it regularly to help;
 - (b) We are determined to carry out "send warmth" event and we always understand and pay attention to the employees in difficulty, so as assist them to solve their problems;
 - (c) We carry out the service activities of "delivering health to the grassroots" to provide free health consultations, blood pressure measurement and Chinese medicine intermediate frequency pulse therapy for our employees; and
 - (d) We provided cooking oil, rice and other welfare materials as well as red banners to our employees during Chinese New Year festival and we offered our condolence to the patients, employees in need and elderly.
 - (iii) We continued to host or organise various cultural or sports activities to our employees or the surrounding villagers, including the followings:
 - (a) We held a Spring Festival Tea Party on the eve of the Spring Festival;
 - (b) We held the "Dameng Good Book Recommendation" book club activity; and
 - (c) We built cinema, soccer field and purchased treadmills for our employees, so as to enrich the life of the employees.

Environmental, Social and Governance Report

4. Social Contribution, Living Environment and Culture Development (continued)

- (2) In Gabon, we continued to focus on the local community development and actively participate in various social activities in Gabon and to support the local government in building schools and hospitals.

We treasure serving our community and therefore, we spent money into the community where our businesses are situated. During the six months ended 30 June 2023, our cash donations to charities reached HK\$379,500. Details are as follows:

	Six months ended 30 June		
	2023	2022	2021
Donation (HKD)	379,500	977,000	384,481

Given the geographical diversity of our business, we take a site-specific or tailored approach to our various social engagements or construction works. As with any investment that the Company makes, we need to be careful that our resources are allocated to community initiatives in a disciplined and systematic way and that this leads to positive, sustainable outcomes as opposed to having a disruptive effect on a community or the local environment. We are confident that selected community initiatives, carefully chosen, thoroughly implemented and carefully monitored, do enhance the Company's reputation and relationships and do enjoy the support of our shareholders and other stakeholders.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Below is the information on our mineral resources and ore reserves as of 30 June 2023:

Summary of our manganese mineral resources

Mining Block	Ownership Percentage	JORC Resource Category	Average Manganese		Average Manganese	
			Million Tonnes	Grade (%)	Million Tonnes	Grade (%)
			As of 30.6.2023		As of 31.12.2022	
Daxin Mine	100%	Measured	3.32	26.05	3.32	26.05
		Indicated	55.38	22.07	55.81	22.01
		Subtotal	58.70	22.30	59.13	22.24
		Inferred	0.43	21.23	0.43	21.23
		Total	59.13	22.29	59.56	22.23
Tiandeng Mine	100%	Measured	0.53	18.43	0.53	18.43
		Indicated	2.17	17.74	2.42	17.36
		Subtotal	2.70	17.88	2.95	17.55
		Inferred	3.43	14.29	3.43	14.29
		Total	6.13	15.87	6.38	15.80
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	3.06	20.45	3.06	20.45
		Indicated	14.69	20.32	14.86	20.32
		Subtotal	17.75	20.34	17.92	20.34
		Inferred	3.24	20.50	3.24	20.50
		Total	20.99	20.37	21.16	20.37
Bembélé Manganese Mine	51%	Measured	-	-	-	-
		Indicated	5.56	36.15	6.60	35.09
		Subtotal	5.56	36.15	6.60	35.09
		Inferred	12.37	32.74	12.37	32.74
		Total	17.93	33.80	18.97	33.59
Total			105.72		107.61	

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Summary of our manganese ore reserves

Mine	Ownership Percentage	JORC Resource Category	Average Manganese		Million tonnes	Average Manganese Grade (%)
			Million tonnes	Grade (%)		
			As of 30.6.2023		As of 31.12.2022	
Daxin Mine	100%	Proved	3.10	20.72	3.10	20.75
		Probable	52.92	19.27	53.35	19.31
		Total	56.02	19.35	56.45	19.39
Tiandeng Mine	100%	Proved	0.49	15.86	0.49	15.78
		Probable	2.03	16.37	2.28	15.99
		Total	2.52	16.27	2.77	15.95
Waifu Manganese Mine	100%	Proved	-	-	-	-
		Probable	-	-	-	-
		Total	-	-	-	-
Changgou Manganese Mine	64%	Proved	3.06	20.45	3.06	20.45
		Probable	14.69	20.32	14.86	20.32
		Total	17.75	20.34	17.92	20.34
Bembélé Manganese Mine	51%	Proved	-	-	-	-
		Probable	5.55	30.46	6.59	30.42
		Total	5.55	30.46	6.59	30.42
Total			81.84		83.73	

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

Assumptions:

The figures of the aforesaid manganese resources and manganese ores 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 were based on the estimates per the independent technical review report as shown in the Prospectus. The decreases of the amounts of manganese resources and manganese ore reserves during the period were largely due to mining activity. The period end amounts have been confirmed by 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 (ChinaYe Jin Di Zhi Zong Ju Zhong Nan Ju Nanning Di Zhi Diao Cha Suo). The decreases of the amounts of manganese resources and manganese ore reserves during the period were largely due to mining activity. The period 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, Jinxi) dated 17th July 2004 prepared by 南寧儲偉資源有限責任公司 (Nanning Qu Wei Resources Limited Company). The period end amounts have been confirmed by our internal experts.
- (2) All material assumptions and technical parameters underpinning the estimates in the aforesaid independent technical reports continue to apply and have not materially changed.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities

I) Exploration

Overview

There were no significant progress in respect of our exploration works and we have not conducted any exploration drilling works in the PRC. Our main focus was to continue to carry out geological exploration work at Bembele Manganese Mine in Gabon and we have achieved certain exploration results.

Daxin Mine

During the six months ended 30 June 2023, 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 six months ended 30 June 2023, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Tiandeng Mine.

Waifu Manganese Mine

During the six months ended 30 June 2023, 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 six months ended 30 June 2023, 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 six months ended 30 June 2023, we continued the following geological exploration work at Bembélé Manganese Mine:

- (1) further research on the metallogenetic geological characteristics and metallogenetic regularity in the underground of other parts of our 40 square kilometers mining rights areas and its surrounding region;
- (2) further exploration works focusing on the geological survey within 2,000 square kilometers exploration right areas, so as to provide geological data for the detailed survey 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 Bembélé Manganese Mine during the six months ended 30 June 2023.

II) Development

Daxin Mine

During the six months ended 30 June 2023, our outsourced contractor continued the 1,000,000 tonnes/year expansion project for the underground mining at southern mining zone of Daxin Mine. As at 30 June 2023, the tunnel construction works amounted to approximately 14,709 metres in length.

Save as disclosed hereinabove, during the six months ended 30 June 2023, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Daxin Mine.

Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

II) Development (continued)

Tiandeng Mine

During the six months ended 30 June 2023, we have purchased some mining machines and related facilities in order to replace the obsolete or damaged machines or facilities.

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 equipment) or conducted any infrastructure or development work at Tiandeng Mine during the six months ended 30 June 2023.

Waifu Manganese Mine

During the six months ended 30 June 2023, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Waifu Manganese Mine.

Changgou Manganese Mine

During the six months ended 30 June 2023, we have purchased some mining machines and related facilities in order to replace the obsolete or damaged machines or facilities.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Changgou Manganese Mine during the six months ended 30 June 2023.

Bembélé Manganese Mine

During the six months ended 30 June 2023, we continued the following infrastructure works or projects at the Bembélé Manganese Mine:

- (1) line 3 expansion project of the processing plant so as to enhance the processing capacity of Bembélé Manganese Mine;
- (2) preliminary work for the railway track extension technical transformation project of the Ndjolé transit station, so as to improve the railway transportation capacity from the mine to the Owendo port;
- (3) the preliminary environmental impact assessment of the second-phase tailings expansion project so as to improve our tailings capacity.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Bembélé Manganese Mine during the six months ended 30 June 2023.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

III) Mining activities

(1) Mining Operations

Daxin Mine

	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Open pit mining		
Mine production (thousand tonnes)	18	28
Underground mining		
Mine production (thousand tonnes)	390	467
Total mine production (thousand tonnes)	408	495
Average manganese grade		
Manganese carbonate ore	12.7%	13.0%
Manganese oxide ore	–	26.0%

Tiandeng Mine

	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Open pit mining		
Mine production (thousand tonnes)	326	225
Average manganese grade		
Manganese carbonate ore	11.8%	12.5%
Manganese oxide	13.6%	10.9%

Waifu Manganese Mine

	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Underground mining		
Mine production (thousand tonnes)	–	–
Average manganese carbonate grade	–	–

Changgou Manganese Mine

	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Underground mining		
Mine production (thousand tonnes)	115	112
Average manganese carbonate grade	15.4%	15.3%

Bembélé Manganese Mine

	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Open pit mining		
Mine production (thousand tonnes)	1,041	1,125
Average manganese oxide grade	29.44%	28.3%

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.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

III) Mining activities (continued)

- (2) Ore processing operations
- Concentrating

Production (thousand tonnes)	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Daxin Concentration Plant Concentrate production		
Manganese carbonate ore	463	347
Manganese oxide ore	43	28
Total	506	375
Average manganese grade of concentrate		
Manganese carbonate ore	18.4%	19.2%
Manganese oxide ore	23.2%	28.5%
Tiandeng Concentration Plant Concentrate production		
Manganese carbonate ore	246	139
Manganese oxide ore	24	7
Total	270	146
Average manganese grade of concentration		
Manganese carbonate ore	11.0%	12.1%
Manganese oxide ore	19.9%	20.4%
Bembélé Concentration Plant		
Concentrate production	673	668
Average manganese grade of concentrate	34.53%	32.8%

- Grinding

Production (thousand tonnes)	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Daxin Grinding Plant		
Powder produced	582	325

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, Daxin Manganese EMM Plant, Tiandeng EMM Plant and Start EMM Plant. Details of EMM production are set out below:

Production (thousand tonnes)	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Daxin EMM Plant	53.1	28.0
Daxin Manganese EMM Plant	7.7	4.0
Tiandeng EMM Plant	22.1	11.5
Start EMM Plant	6.3	5.4
Total	89.2	48.9



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

IV) Downstream processing operations (continued)

(1) EMM and alloying materials (continued)

- Manganese briquette

Production (thousand tonnes)	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Daxin Branch	8.5	5.8
Chongzuo Branch	-	2.6
Total	8.5	8.4

- Silicomanganese alloy

Production (thousand tonnes)	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Qinzhou Ferroalloy Plant	28.4	29.7
Xingyi Ferroalloy Plant	30.3	56.0
Total	58.7	85.7

(2) Battery materials

- EMD

Production (thousand tonnes)	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Daxin EMD Plant	9.5	14.3
Huiyuan Manganese	32.7	49.4
Total	42.2	63.7

- Lithium manganese oxide

Production (thousand tonnes)	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Chongzuo Branch	2.9	3.2

- Manganese sulfate

Production (thousand tonnes)	1.1.2023-30.6.2023	1.1.2022-30.6.2022
Daxin Manganese Sulfate Plant	7.0	5.8
Huiyuan Manganese	9.5	4.7
Total	16.5	10.5

Note: All our other downstream processing products are rounded to nearest one decimal place and these figures may show apparent addition errors.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

V) Exploration, development and mining cost of the Group

Expenses of exploration, development, and mining activities of the Group for the six months ended 30 June 2023 are set out below:

(HK\$'000)

	Daxin Mine	Tiandeng Mine	Waifu Manganese Mine	Changgou Manganese Mine	Bembélé Manganese Mine	Total
Exploration activities						
Purchases of assets and equipment	–	–	–	–	1,019	1,019
Drilling and analysis	–	–	–	–	–	–
Transportation	–	–	–	–	–	–
Others	–	–	–	–	–	–
	–	–	–	–	1,019	1,019
Development activities (including mine construction)						
Purchases of assets and equipment	–	3,279	–	6,172	–	9,451
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Sub-contracting fee	–	–	–	–	–	–
Others	263	–	–	–	–	263
	263	3,279	–	6,172	–	9,714
Mining activities*						
Staff cost	2,108	5,648	–	2,861	–	10,617
Consumables	647	4,234	–	1,392	–	6,273
Fuel, electricity, water and other services	1,918	4,866	–	2,708	–	9,492
Transportation	4,782	–	–	–	–	4,782
Sub-contracting fee	74,739	12,010	–	33,080	92,710	212,539
Depreciation	21,865	2,789	–	123	2,022	26,799
Others	8,599	4,261	–	6,464	–	19,324
	114,658	33,808	–	46,628	94,732	289,826

(*Concentrating not included)



Code on Corporate Governance Practices

Throughout the six months ended 30 June 2023, save for the deviation from the code provision A.2.1, the Company has applied the principles, 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

During the six months ended 30 June 2023, the posts of Chairman and Chief Executive Officer were combined and Mr. Li Weijian, the Chairman of the Board has also assumed the role of the Chief Executive Officer. This arrangement is in contravention of code provision A.2.1 of the CG Code. Mr. Li has considerable knowledge of the Company’s assets and his experience is very highly valued by the Board. At a challenging time for the Company, the Board decided that Mr. Li was the 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 are made in consultation with the Board members, appropriate Board committees or senior management of the Group. Mr. Li promotes a culture of openness and encourages the Directors to make a full and active contribution to the Board’s affairs. During the six months ended 30 June 2023, the independent non-executive Directors of the Company offered strong and independent advice. All decisions have reflected the consensus of the Board. 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 a code of conduct for dealings in securities of the Company by its Directors (the “**Securities Dealings Code**”) that is based on the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules (or on terms no less stringent than the Model Code).

All Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the six months ended 30 June 2023.

Directors’ and Chief Executive’s Interests in Shares and Underlying Shares

As at 30 June 2023, so far as is known to any Directors, none of the Directors or chief executives of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2023, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held (a)	Approximate percentage of the Company's issued share capital	Number of share options held
Sun Mingwen	(b)	Through a controlled corporation	994,260,000 (L)	29.00	–
Youfu Investment Co., Ltd	(b)	Directly beneficially interested	994,260,000 (L)	29.00	–
Guangxi Dameng Manganese Industrial Co., Ltd	(c)	Through a controlled corporation	776,250,000 (L)	22.64	–
Huanan Dameng Investments Limited	(c)	Through a controlled corporation	776,250,000 (L)	22.64	–
Guinan Dameng International Resources Limited	(c)	Directly beneficially interested	776,250,000 (L)	22.64	–
Ma Xuedong	(d)	Through a controlled corporation	184,740,000 (L)	5.39	–
Feng Xiang Investment Co., Ltd.	(d)	Directly beneficially interested	184,740,000 (L)	5.39	–

Notes:

- (a) The letter "L" denotes the long position in such Shares.
- (b) Youfu Investment Co., Ltd. is wholly owned by Mr. Sun Mingwen.
- (c) Guinan Dameng International Resources Limited is wholly owned by Huanan Dameng Investments Limited, which is in turn wholly owned by Guangxi Dameng.
- (d) Feng Xiang Investment Co., Ltd is wholly owned by Mr. Ma Xuedong.

Save as disclosed above, as at 30 June 2023, the Company has not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



Purchase, Redemption or Sale of Listed Securities of The Company

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Review of Accounts

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2023 with the management of the Company.

Forward Looking Statements

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

On behalf of the Board

Li Weijian

Chairman

Hong Kong, 29 November 2023



Glossary of Terms

Alloy Products	silicomanganese alloy and ferromanganese
Audit Committee	audit committee of the Company
Beibu Gulf Canal Company	北部灣運河(廣西)實業有限公司 (Beibu Gulf Canal (Guangxi) Industrial Limited Company), a limited liability company established under the laws of the PRC on 30 December 2022, which we hold 49.00% shareholding
Beibu Gulf Mercantile Exchange	北部灣(廣西)大宗商品交易有限公司 (Beibu Gulf (Guangxi) Mercantile Exchange Limited Company), a limited liability established under the laws of the PRC on 19 May 2022, which we hold 20.00% shareholding
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 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
BVI	the British Virgin Islands
Bye-laws	the bye-laws of our Company, as amended from time to time
Changgou Manganese Mine	貴州遵義匯興鐵合金有限責任公司長溝錳礦 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine)
China or PRC	the People's Republic of China, but for the purpose of this interim report, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
Chongzuo Branch	南方錳業集團有限責任公司崇左分公司 (South Manganese Group Limited Chongzuo Branch)
Company or our Company	South Manganese Investment Limited, which is listed on the Stock Exchange (Stock Code: 1091.HK)
Controlling Shareholder	has the meaning ascribed to it under the Listing Rules
Daxin EMD Plant	an EMD production plant located in Daxin county, Guangxi, owned and operated by a wholly owned subsidiary of the Group
Daxin Manganese Sulfate Plant	a manganese sulfate production plant located in Daxin county, Guangxi, owned and operated by a wholly owned subsidiary of the Group
Director(s)	the director(s) of our Company
EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
EMM Products	EMM and manganese briquette



Glossary of Terms

Gabon	the Gabonese Republic
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC
Guangxi Dameng	廣西大錳業集團有限公司 (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 indirectly wholly-owned by the government of Guangxi, PRC, which is a substantial shareholder of our Company
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	廣西滙元錳業有限公司 (Guangxi Huiyuan Manganese Industry 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
Nomination Committee	nomination committee of the Company
Prospectus	the prospectus of the Company dated 8 November 2010
Qingdao Manganese	青島錳系投資合夥企業(有限合夥) (Qingdao Manganese Investment Cooperative Enterprise (Limited Partnership)), a limited partnership in which we indirectly hold 16.00% equity interest
Qinzhou Ferroalloy Plant	the ferroalloy production plant located near Qinzhou port and owned and operated by 欽州大錳新材料有限公司 (Qinzhou Dameng New Materials Co., Ltd.), a company in which we indirectly hold 70% equity interest
Remuneration Committee	remuneration committee of the Company
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shares	ordinary shares in the share capital of the Company, with a nominal value of HK\$0.10 each



Glossary of Terms

South Manganese Group	南方錳業集團有限責任公司 (South Manganese Group Limited)
South Manganese Holdings	南方錳業控股有限公司 (South Manganese Holdings Limited), a direct wholly owned subsidiary of the Company
Stock Exchange	the Stock Exchange of Hong Kong Limited
substantial shareholder	has the meaning ascribed to it under the Listing Rules
Tiandeng Mine	南方錳業集團有限責任公司天等錳礦 (South Manganese Group Limited Tiandeng Manganese Mine)
tonne	metric tonne
Waifu Manganese Mine	大新大錳業集團有限公司外伏錳礦 (Daxin Dameng Manganese Co., Ltd 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
Zunyi Company	貴州遵義匯興鐵合金有限責任公司 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company), formerly known as 南方錳業集團遵義有限公司 (South Manganese Group Zunyi Co., Ltd.)
Zunyi Group	Zunyi Company together with its subsidiaries

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.



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