南方錳業投資有限公司
SOUTH MANGANESE INVESTMENT LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 1091

Annual Report 2024

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Zhang Yi (appointed as Executive Director on 9 September 2024, and appointed as Chairman on 10 September 2024)
Mr. Zhang He
Mr. Xu Xiang
Mr. Liu Yang (appointed on 9 September 2024)
Mr. Pan Shenghai (redesignated as Executive Director on 10 September 2024)
Ms. Cui Ling (redesignated as Executive Director on 30 September 2024)
Mr. Li Weijian (removed on 9 September 2024)
Mr. Li Junji (removed on 9 September 2024)

Non-executive Directors

Ms. Cui Ling (redesignated as Executive Director on 30 September 2024)
Mr. Pan Shenghai (redesignated as Executive Director on 10 September 2024)
Mr. Huang Chuangxin (appointed on 10 September 2024)

Independent Non-executive Directors

Mr. Zhang Yupeng
Mr. Yuan Mingliang
Mr. Lo Sze Hung
Mr. Zhou Jie (appointed on 10 September 2024)
Mr. Luo Guihua (appointed on 10 September 2024)
Mr. Wu Qi (appointed on 10 September 2024)

Audit Committee

Mr. Lo Sze Hung (Chairman)
Mr. Zhang Yupeng
Ms. Cui Ling (ceased to be member on 30 September 2024)
Mr. Yuan Mingliang
Mr. Zhou Jie (appointed as member on 10 September 2024)
Mr. Luo Guihua (appointed as member on 10 September 2024)
Mr. Wu Qi (appointed as member on 10 September 2024)
Mr. Huang Chuangxin (appointed as member on 30 September 2024)

Remuneration Committee

Mr. Yuan Mingliang (Chairman)
Mr. Zhang Yi (appointed as member on 10 September 2024)
Mr. Zhang He
Mr. Pan Shenghai (appointed as member on 10 September 2024)
Mr. Zhang Yupeng
Mr. Lo Sze Hung
Mr. Zhou Jie (appointed as member on 10 September 2024)
Mr. Luo Guihua (appointed as member on 10 September 2024)
Mr. Wu Qi (appointed as member on 10 September 2024)
Mr. Li Weijian (ceased to be member on 9 September 2024)

Nomination Committee

Mr. Zhang Yupeng (Chairman)
Mr. Zhang Yi (appointed as member on 10 September 2024)
Mr. Zhang He
Mr. Pan Shenghai (appointed as member on 10 September 2024)
Mr. Yuan Mingliang
Mr. Lo Sze Hung
Mr. Zhou Jie (appointed as member on 10 September 2024)
Mr. Luo Guihua (appointed as member on 10 September 2024)
Mr. Wu Qi (appointed as member on 10 September 2024)
Mr. Li Weijian (ceased to be member on 9 September 2024)

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 Group Tower,
Building 8, Greenland Center,
15 Kaixuan Road, Nanning, Guangxi, PRC

Bermuda Principal Share Registrar and Transfer Office

Conyers Corporate Services (Bermuda) 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
29th Floor, Lee Garden Two,
28 Yun Ping Road, Causeway Bay,
Hong Kong

Authorised Representatives

Mr. Leung Chit Yu
Mr. Zhang He (appointed as authorised representative on 10 September 2024)
Mr. Li Weijian (ceased to be authorised representative on 9 September 2024)

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

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the latest five financial years, as extracted from the published audited financial statements, is set out below.

Results

	Year ended 31 December				
	2024 HK$'000	**2023 HK$'000**	**2022 HK$'000**	**2021 HK$'000** (restated)	**2020 HK$'000**
Revenue	**13,210,519**	17,133,960	16,031,885	12,830,762	4,367,563
(Loss)/profit before tax	**(757,073)**	109,930	394,879	546,344	(503,810)
Income tax (expense)/credit	**(44,893)**	(37,544)	(52,565)	(190,049)	45,956
(Loss)/profit for the year	**(801,966)**	72,386	342,314	356,295	(457,854)
(Loss)/profit attributable to:					
Owners of the Company	**(725,070)**	64,144	336,091	454,583	(437,929)
Non-controlling interests	**(76,896)**	8,242	6,223	(98,288)	(19,925)
	(801,966)	72,386	342,314	356,295	(457,854)

Assets, Liabilities, Non-controlling interests and Equity attributable to owners of the Company

	31 December				
	2024 HK$'000	**2023 HK$'000**	**2022 HK$'000**	**2021 HK$'000** (restated)	**2020 HK$'000**
Non-current assets	**5,063,574**	5,025,589	5,123,159	5,118,358	5,086,600
Current assets	**3,723,029**	6,340,431	6,327,465	5,865,985	3,972,103
Total assets	**8,786,603**	11,366,020	11,450,624	10,984,343	9,058,703
Current liabilities	**5,382,420**	7,231,694	7,073,730	7,450,916	4,287,611
Non-current liabilities	**1,426,996**	1,305,964	1,544,608	797,594	2,220,019
Total liabilities	**6,809,416**	8,537,658	8,618,338	8,248,510	6,507,630
Net Assets	**1,977,187**	2,828,362	2,832,286	2,735,833	2,551,073
Equity attributable to:					
Owners of the Company	**2,361,610**	3,142,150	3,168,078	3,108,201	2,517,834
Non-controlling interests	**(384,423)**	(313,788)	(335,792)	(372,368)	33,239
	1,977,187	2,828,362	2,832,286	2,735,833	2,551,073

In preparing the consolidated financial statements of the Group for the year ended 31 December 2022, the management had identified some prior year adjustments to the prior year consolidated financial statements. The management had restated these prior year adjustments to the consolidated financial statements as at 31 December 2021 and for the year then ended (including the opening balances for the year ended 31 December 2021 which affected the figures as at 1 January 2021 accordingly).

Chairman's Statement

Chairman's Statement

Dear Valued Shareholders,

During 2024, the global economy continued its post-pandemic recovery, with major economies experiencing varying degrees of growth. However, geopolitical tensions and the rise of trade protectionism posed challenges to global trade and investment environments. Despite these hurdles, emerging markets and developing economies leveraged internal demand and regional cooperation to drive global economic growth. In China, despite facing complex and severe internal and external environments, government stimulus measures facilitated a recovery, with the economy showing a quarter-by-quarter rebound throughout the year.

In recent years, the manganese industry has been at the intersection of stable traditional applications and burgeoning new demands. The structural growth driven by battery materials has become a core focus, though caution is warranted regarding risks of overcapacity and technological substitution. China's increasingly stringent environmental regulations have prompted enterprises to enhance environmental management, promote clean production, and achieve green development. As a leading global producer and consumer of manganese, China's industry performance in 2024 was notable. The government introduced a series of supportive policies encouraging technological innovation and industrial upgrading, propelling high-quality development within the manganese sector.

Safe Production and Green Mining

Throughout the year, the Group remained steadfast in upholding safety and environmental responsibilities. We reinforced accountability, implemented safety protocols, and further refined relevant systems and plans, strengthening the foundation of our safety and environmental management. Emphasis was placed on safety education and training to enhance employees' protective skills. We comprehensively advanced the construction of safety culture demonstration enterprises, effectively preventing and curbing various production safety incidents.

During the year, the Group actively engaged in environmental protection management, ensuring no environmental emergencies occurred. Our Daxin branch implemented projects such as the construction of new clear water drainage systems, production area clean and sewage diversion projects, rain and sewage collection and diversion projects, and the construction of steel structure pipeline trestle bridges at the Bukang tailings storage facility, yielding significant results. Through initiatives like intensive land use, harmless raw materials, clean production, waste recycling, and low-carbon energy, we proactively advanced the construction of a green and intelligent manufacturing system, achieving a comprehensive green transformation in our development approach.

Social Responsibility and Community Support

Throughout the year, the Group actively participated in social welfare activities, contributing to the development of surrounding communities. Through donations and "purchase instead of donation" initiatives, we addressed challenges faced by villagers in selling agricultural products, aiding rural revitalization. We introduced quality healthcare projects to ensure employee health, supported the development of areas surrounding the mines, and promoted harmonious relations between the mines and local communities. We assisted in upgrading drinking water pipelines in the Bai Suo village group of Renhui village, Xia Lei town, Daxin county. Our Gabon subsidiary assisted the local Ndjolé city government in maintaining office equipment, addressing equipment shortages, and constructed new school basketball courts, donating educational supplies to students. We conducted caring and assistance activities, focusing on employees' well-being, and organized various festive events to enrich their cultural life.

Honors and Achievements

During the year, the Group ranked ninth in the 2024 Guangxi Top 100 Private Enterprises and seventh in the Guangxi Top 10 Private Enterprises for Employment. Since 2018, Guangxi has consecutively held the Guangxi Top 100 Private Enterprises release event for seven years. As a leading enterprise in Guangxi and the national manganese industry, the Group has frequently been listed among the top, with its excellent business performance and development momentum widely recognized by various sectors, making outstanding contributions to local economic development.

During the year, the Group, with its exceptional product quality and continuous service innovation, was honored as the "2024 Excellent Supplier of Electrolytic Manganese Metal in China". This accolade not only affirms our long-standing commitment to high-quality production but also recognizes our leading position in the industry. Standing at a new historical starting point, the Group will uphold new cultures and concepts, continually explore new technologies and processes to enhance product competitiveness. Simultaneously, we will strengthen close cooperation with partners across the industrial chain to jointly address market challenges and promote China's manganese industry towards higher quality and sustainable development.

Unified Vision and Collaborative Progress

On behalf of the Board, I extend sincere gratitude to all directors, management, and employees for their unity, hard work, and relentless efforts. I also express heartfelt thanks to our shareholders, customers, and business partners for their unwavering trust and support throughout the year.

In the coming year, we will continue to deeply study and implement the spirit of the National Private Enterprises Symposium, closely focusing on the twelve-character policy of "Enhancing Production Capacity, Reducing Costs, Promoting Efficiency, and Strengthening Management" to advance our Group's work in 2025. We aim to achieve "Integration of Operations and Finance, Internal and External Synergy, and Enterprise-Government Collaboration" to enhance synergistic effects. We will vigorously promote the concept of a "Clean and Upright, Transparent South Manganese", strengthen work style construction, unite employee's minds, and form a strong working synergy. By improving management standards, we will guide employees to clarify work ideas, formulate clear plans, communicate and collaborate effectively, and execute tasks efficiently. With a strong sense of responsibility and mission, we will actively take on responsibilities and strive to write a new chapter for South Manganese!

Zhang Yi
Chairman

14th March 2025

Report of the Directors

Report of the Directors

The Directors are pleased to present their report and the audited financial statements for the year ended 31 December 2024.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Group are manganese mining and ore processing in the PRC and Gabon and downstream processing operations in the PRC, as well as trading of manganese ores, manganese alloy and related raw materials, details of which are set out in notes 1 and 5 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Business Review

Business review comprising a fair review of the Group's business, description of our principal risks and uncertainties, important events subsequent to the year end and our likely future business developments have been set out in the section headed "Management Discussion and Analysis" of this annual report, inclusive of an analysis of the Group's performance during the year using financial key performance indicators set out in the box headed "Financial Highlights" therein.

As with other natural resources and mineral processing companies, the Group's operations create hazardous and non-hazardous waste, effluent emissions into the atmosphere, as well as water, soil and safety concerns for its workforce. Consequently, the Group is required to comply with a range of health, safety and environmental laws and regulations. The Group believes that its operations are in compliance with all material respects with the applicable health, safety and environmental legislations of the People's Republic of China and Gabon. The Group regularly reviews and updates its health, safety and environmental management practices and procedures to ensure where feasible that they comply, or continue to comply, with best international standards. Our goal is to facilitate the gradual improvement of environmental indicators, while taking into account practical possibilities and social and economic factors.

Compliance procedures are in place to ensure adherence to the relevant laws and regulations in particular, those having a significant impact on the Group. The Board keeps reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements. Any new enactment of or changes in the relevant laws and regulations would be communicated to the relevant departments and staff to ensure compliance. Reminders on the compliance would also be sent out regularly where necessary.

Further discussions on the Company's environmental policies and performance and its compliance with the relevant laws and regulations can be found in the Environmental, Social and Governance Report and our relationship with employees can be found in the Human Resources Report. Discussions and information therein forms part of this Report of the Directors.

Results and Dividends

The Group's profit for the year ended 31 December 2024 and the Group's financial position at that date are set out in the financial statements on pages 97 to 179.

The Board does not recommend the payment of any dividend for the year.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements respectively.

Share Capital and Share Options

The Share option scheme of the Company has been ended on 25 October 2020 and all the share options have been lapsed with affect from 10 January 2021.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity and note 30 to the financial statements.

Borrowings

Details of borrowings (inclusive of interest-bearing bank and other borrowings) of the Group as at 31 December 2024 are set out in note 26 to the financial statements.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

Distributable Reserves

The Company's reserves available for distribution is its contributed surplus amounting to HK$2,618,617,000 as at 31 December 2024 and such sum is available to be applied by the Company including but not limited to, elimination of accumulated losses of the Company which amounted to HK$1,074,959,000 as at 31 December 2024 and payment of dividends to Shareholders.

Charitable Donations

During the year, the Group made charitable and other donations totalling HK$704,000 (2023: HK$2,539,000).

Major Customers and Suppliers

During the year, sales to the Group's five largest customers accounted for 21.4% of the total sales for the year and sales to the largest customer included therein amounted to 7.2%. Purchases from the Group's five largest suppliers, amounted to 21.2% of the total purchases for the year and purchase from the largest supplier included therein amounted to 5.4%.

As far as the Directors are aware, none of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

Directors

The Directors of the Company during the year ended 31 December 2024 and up to the date of this annual report are:

Executive Directors:

Mr. Zhang Yi (appointed as Executive Director on 9 September 2024, and appointed as Chairman on 10 September 2024)
Mr. Zhang He
Mr. Xu Xiang
Mr. Liu Yang (appointed on 9 September 2024)
Mr. Pan Shenghai (redesignated as Executive Director on 10 September 2024)
Ms. Cui Ling (redesignated as Executive Director on 30 September 2024)
Mr. Li Weijian (removed on 9 September 2024)
Mr. Li Junji (removed on 9 September 2024)

Non-executive Directors:

Ms. Cui Ling (redesignated as Executive Director on 30 September 2024)
Mr. Pan Shenghai (redesignated as Executive Director on 10 September 2024)
Mr. Huang Chuangxin (appointed on 10 September 2024)

Independent non-executive Directors:

Mr. Zhang Yupeng
Mr. Yuan Mingliang
Mr. Lo Sze Hung
Mr. Zhou Jie (appointed on 10 September 2024)
Mr. Luo Guihua (appointed on 10 September 2024)
Mr. Wu Qi (appointed on 10 September 2024)

Directors' and Senior Management's Biographies

The biographical details of the Directors of the Company and the senior management of the Company are set out on pages 46 to 49 of this annual report.

Directors' Service Contracts

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Directors' remuneration is determined by the Board with reference to the recommendations made by the Remuneration Committee. The Group's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance.

Details of the remuneration of the Directors are set out in note 9 to the financial statements.

Directors' Interests in Contracts

Save as disclosed in this annual report and hereinbelow and so far as is known to the Directors, (i) none of the Directors was directly or indirectly interested in any business that constitutes or may constitute a competing business of the Company during the year and (ii) none of the Directors or their respective associates was materially interested in any contract or arrangement which is significant in relation to the businesses of the Group taken as a whole during the year.

Ms. Cui Ling is a director of Guangxi Dameng and Mr. Pan Shenghai is the vice general manager of Guangxi Dameng. Guangxi Dameng is a state-owned company with manganese ore mining and processing, battery producing, machinery engineering, accessories manufacturing, investment operation and export and import trade. Pursuant to the right of first refusal agreement dated 3 November 2010, Guangxi Dameng granted the right of first refusal to the Company to acquire all the equity interest it holds in Rainbow Minerals Pte. Limited which in turn holds certain manganese and iron mines in South Africa.

Each of the above directors had abstained from voting on the transactions entered into between the Group and Guangxi Dameng and/or their respective subsidiaries (as the case may be) (if any) during the year.

Permitted Indemnity Provision

Pursuant to the Bye-laws of the Company, the Directors, auditors and other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. Such provisions were in force throughout the year ended 31 December 2024 and are currently in force.

The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors during the year ended 31 December 2024.

Directors' and Chief Executive's Interests in Shares and Underlying Shares and Debentures

As at 31 December 2024, 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 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 Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Interests or Debentures

Save as disclosed in this annual report, at no time during the year ended 31 December 2024 was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Option Scheme

On 26 October 2010, the Company adopted a Share Option Scheme under which the Board was entitled, during the ten years ended 25 October 2020, to allot share options to eligible persons. The purpose of the scheme is to provide incentive or reward to eligible persons (including full time or part time employees, executive Directors, non-executive Directors and independent non-executive Directors of our Group) for their contribution to, and continuing efforts to promote the interests of, our Company and to enable our Company and its subsidiaries to recruit and retain high-caliber employees.

The subscription price for Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of:

(1) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant which must be a business day;

(2) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(3) the nominal value of the Shares.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and options under any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the listing date.

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12 month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option schemes of the Company other than those options granted pursuant to specific approval by the Shareholders in general meeting) exceed 1% of the Shares in issue for the time being. There is no requirement that an option must be held for any minimum period before it can be exercised.

All the share options have been lapsed with effect from 10 January 2021.

Save as disclosed herein and in the section headed "Substantial Shareholders and Other Person's Interests in Shares and Underlying Shares" below and so far as is known to the Directors, as at 31 December 2024:

(i) none of the Directors or chief executive of the Company had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and

(ii) none of the Directors was a director or employee of a company which had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

As at 31 December 2024, 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	–
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 Guangxi Dameng.

(d) Feng Xiang Investment Co., Ltd is wholly owned by Mr. Ma Xuedong.

Save as disclosed above, as at 31 December 2024, 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.

Connected Transaction and Continuing Connected Transactions

(1) Continuing Connected Transactions and Revision of Annual Caps with Guangxi Dameng and its Subsidiaries

On 31 December 2020, the Company entered into the 2021 Guangxi Dameng Ore Agreement with Guangxi Dameng pursuant to which the Company (and/or its subsidiaries) agreed to purchase and Guangxi Dameng (and/or its subsidiaries) agreed to sell the High Grade Manganese Ore for the three years ending 31 December 2023. Details of the 2021 Guangxi Dameng Ore Agreement were disclosed in the announcement of the Company dated 31 December 2020.

On 21 January 2022, the Company (for itself and on behalf of its subsidiaries) entered into 2022 Guangxi Dameng Ore Agreement with Guangxi Dameng to revise the annual caps under the 2021 Guangxi Dameng Ore Agreement. Pursuant to 2022 Guangxi Dameng Ore Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase and Guangxi Dameng (for itself and on behalf of its subsidiaries) agreed to sell High Grade Manganese Ore for the period from 21 January 2022 to 31 December 2024. Details of 2022 Guangxi Dameng Ore Agreement were disclosed in the announcement of the Company dated 21 January 2022.

On 21 January 2022, the Company entered into the 2022 Guangxi Dameng EMM Agreement with Guangxi Dameng. Pursuant to the 2022 Guangxi Dameng EMM Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase and Guangxi Dameng (for itself and on behalf of its subsidiaries) agreed to sell EMM for the period from 21 January 2022 to 31 December 2024. Details of 2022 Guangxi Dameng EMM Agreement were disclosed in the announcement of the Company dated 21 January 2022.

(2) Connected Transaction and Continuing Connected Transactions with Guangxi Liuzhou Gremi Intelligent Equipment Manufacturing Co., Ltd. ("Guangxi Gremi") and its Subsidiaries

On 21 January 2022, the Company entered into the 2022 Guangxi Gremi Negative Plates Agreement with Guangxi Gremi. Pursuant to the 2022 Guangxi Gremi Negative Plates Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase and Guangxi Gremi (for itself and on behalf of its subsidiaries) agreed to sell negative plates for the period from 21 January 2022 to 31 December 2024. Details of the 2022 Guangxi Negative Plates Agreement were disclosed in the announcement of the Company dated 21 January 2022.

On 16 August 2022, South Manganese Group entered into the vertical mill purchase and sale agreement with Guangxi Gremi ("Vertical Mill Agreement"). Pursuant to the Vertical Mill Agreement, South Manganese Group agreed to purchase and Guangxi Gremi agreed to sell vertical mill at RMB4,849,557.52 on an ex-tax basis. Details of the Vertical Mill Agreement was disclosed in the announcement of the Company dated 16 August 2022.

During the year 2024, the amounts of transactions under the 2022 Guangxi Dameng EMM Agreement and the 2022 Guangxi Dameng Ore Agreement are as follows:

	HK$'000
• Purchase of ores from Guangxi Dameng	6,383
• Purchase of raw materials from subsidiaries of Guangxi Dameng	–

During the year 2024, the amounts of transactions under the Vertical Mill Agreement and the 2022 Guangxi Gremi Negative Plates Agreement are as follows:

	HK$'000
• Purchase of vertical mill from Guangxi Gremi	5,317
• Purchase of negative plates from Guangxi Gremi	–

The Group has followed the policies and guidelines regarding the continuing connected transactions in accordance with the Listing Rules when determining the price and terms of the transactions conducted during the year.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

RSM Hong Kong, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 (Revised) Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. RSM Hong Kong have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

The Company has complied with the applicable requirements under the Listing Rules in respect of connected transactions and continuing connected transactions engaged in by the Group during the year 2024.

Sufficiency of Public Float

As at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public.

Auditor

RSM Hong Kong shall retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming 2025 AGM.

ON BEHALF OF THE BOARD

Zhang Yi
Chairman

Hong Kong
14 March 2025

Management Discussion and Analysis

Management Discussion and Analysis

Financial Review

	2024 HK$'000	2023 HK$'000	Increase/(decrease) HK$'000	 %
Revenue	**13,210,519**	17,133,960	(3,923,441)	(22.9)
Gross profit	**406,365**	934,147	(527,782)	(56.5)
Gross profit margin	**3.1%**	5.5%	N/A	(2.4)
Operating (loss)/profit	**(375,725)**	123,668	(499,393)	(403.8)
Impairment losses on non-financial assets	**(17,750)**	–	(17,750)	N/A
Impairment losses on financial assets, net	**(353,540)**	(8,931)	(344,609)	3,858.6
Share of profits and losses of associates	**(10,058)**	(4,807)	(5,251)	109.2
(Loss)/profit before tax	**(757,073)**	109,930	(867,003)	(788.7)
Income tax expense	**(44,893)**	(37,544)	(7,349)	19.6
(Loss)/profit for the year	**(801,966)**	72,386	(874,352)	(1,207.9)
(Loss)/profit for the year attributable to owners of the Company	**(725,070)**	64,144	(789,214)	(1,230.4)
(Loss)/profit for the year attributable to non-controlling interests	**(76,896)**	8,242	(85,138)	(1,033.0)
	(801,966)	72,386	(874,352)	(1,207.9)

Financial Highlights

- Revenue amounted to HK$13,210.5 million for 2024, representing a decrease of 22.9% from HK$17,134.0 million for 2023.
- Gross profit amounted to HK$406.4 million for 2024, representing a decrease of 56.5% from HK$934.1 million for 2023. Gross profit margin was 3.1% for 2024, representing a decrease of 2.4 percentage points from 5.5% for 2023.
- Operating loss amounted to HK$375.7 million for 2024 (2023: profit of HK$123.7 million).
- Impairment losses on financial assets, net, amounted to HK$353.5 million for 2024 (2023: HK$8.9 million).
- Loss attributable to owners of the Company amounted to HK$725.1 million for 2024 (2023: profit of HK$64.1 million).

Overview

In 2024, the global economy showed signs of cautious optimism, though challenges such as elevated borrowing costs and rising production costs continued to weigh on growth. Production costs remained elevated due to persistent supply chain disruptions and geopolitical tensions, particularly in Europe and the Middle East, which kept energy and raw material prices volatile. Despite these headwinds, the latter half of the year saw some relief as easing financial conditions and improved consumer confidence provided a modest boost to economic activity. However, the pace of recovery remained uneven, with emerging markets struggling under the dual burden of high debt and production costs, while developed economies cautiously navigated the path toward stability. Overall, 2024 marked a year of tentative progress, though the global economy remained vulnerable to external shocks and the lingering effects of high borrowing and production costs.

Steel sector is our major downstream industry, with its demand for our EMM Products largely arising from consumptions within China. In 2024, the economic growth in China was slowing down and the consumption for steels remained stagnant as a result of decrease in property development investments amid the PRC government has added stimulus to boost the economy by cutting interest rate, encouraging exports and consumptions. Due to weak demand, the selling price of our EMM Products was decreasing in 2024. As a result, average selling price of our EMM Products for 2024 decreased by 9.3% to HK$12,289 per tonne (2023: HK$13,556 per tonne). Gross profit margin of EMM Products decreased by 4.2 percentage points to 8.2% for 2024 (2023: 12.4%) and gross profit contribution of EMM Products decreased by 36.0% to HK$166.0 million for 2024 (2023: HK$259.4 million).

In 2024, our production of battery materials including EMD continued to achieve encouraging results. Despite tariffs were imposed by certain Western countries on electric vehicles manufactured in China, China possesses its well-established supply chain for electric vehicle production including battery materials production in China, thereby upholding the strong sales performance of electric vehicles and the demand for battery material products. 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. In the long term, the 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. For 2024, average selling price of EMD remained relatively stable at HK$15,272 per tonne (2023: HK$15,725 per tonne), gross profit margin was maintained at 43.4% (2023: 44.4%) and gross profit contribution of EMD recorded a decrease of 11.6% to HK$486.1 million (2023: HK$549.7 million).

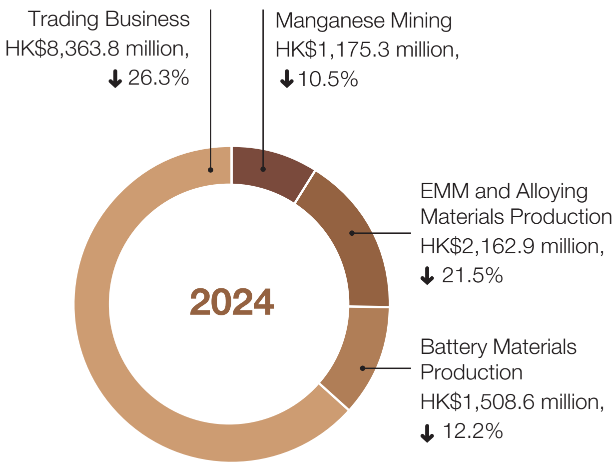
Management Discussion and Analysis

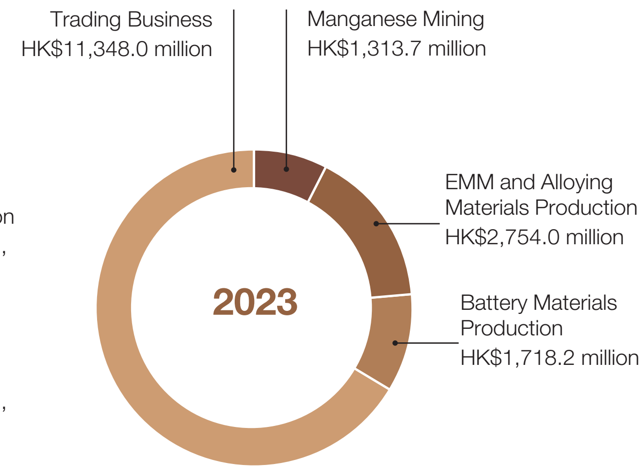
For 2024, the Group recognised an impairment loss on amount due from our 33.00%-owned associate Dushan Jinmeng of HK$321.0 million. Since the year 2015, the Group had provided a corporate guarantee for bank facilities granted to Dushan Jinmeng. The associate's banking facilities amounted to RMB800.0 million (equivalent to HK$877.0 million) and the portion guaranteed by the Group amounted to RMB264.0 million (equivalent to HK$289.4 million). During 2024, the Group has assumed its guarantee liability and performed its obligation under the corporate guarantee to repay the loan principal of RMB264.0 million (equivalent to HK$289.4 million) and accrued interest of RMB28.8 million (equivalent to HK$31.6 million) to the bank. As a result, an impairment loss of HK$321.0 million was provided for the above settlement sum of HK$321.0 million for 2024.

In summary, mainly due to decrease in average selling price of EMM Products and gross loss from trading business, the Group's operating loss for 2024 was HK$375.7 million (2023: profit of HK$123.7 million). Also, as a result of the impairment loss recognised from the settlement of abovementioned guarantee liability, the earnings before interest, taxes, depreciation and amortisation ("EBITDA") for 2024 decreased by 123.9% to a negative EBITDA of HK$186.2 million (2023: EBITDA of HK$780.2 million) and the loss attributable to owners of the Company for 2024 was HK$725.1 million (2023: profit of HK$64.1 million).

Comparison with 2023

Revenue by segment





For 2024, the Group's revenue was HK$13,210.5 million (2023: HK$17,134.0 million), representing a decrease of 22.9% as compared with 2023. The decrease was mainly due to significant decreases in sales revenue from trading business, and EMM and alloying materials production segment, together with the mild decreases in sales revenue from manganese mining and battery materials production segments.

For 2024, revenue of our EMM Products accounted for 15.4% (2023: 12.3%) of our total revenue.

Manganese mining segment

	Sales Volume (tonnes)	Average Selling Price (HK$/tonne)	Revenue (HK$'000)	Unit Cost of Sales (HK$/tonne)	Cost of Sales (HK$'000)	Gross Profit (HK$'000)	Gross Profit Margin (%)
Year 2024							
Gabon ore	**1,330,646**	**775**	**1,030,761**	**647**	**861,151**	**169,610**	**16.5**
Manganese concentrate	**313,813**	**356**	**111,572**	**329**	**103,119**	**8,453**	**7.6**
Natural discharging manganese powder and sand	**14,780**	**2,228**	**32,925**	**535**	**7,913**	**25,012**	**76.0**
Total	**1,659,239**	**708**	**1,175,258**	**586**	**972,183**	**203,075**	**17.3**
Year 2023							
Gabon ore	1,379,676	857	1,182,462	743	1,025,556	156,906	13.3
Manganese concentrate	288,739	379	109,375	316	91,347	18,028	16.5
Natural discharging manganese powder and sand	8,374	2,607	21,828	609	5,103	16,725	76.6
Total	1,676,789	783	1,313,665	669	1,122,006	191,659	14.6

For 2024, revenue of manganese mining segment decreased by 10.5% to HK$1,175.3 million (2023: HK$1,313.7 million) mainly attributable to decrease in average selling price of Gabon ore as the economic growth in China was slowing down and the consumption for steels remained stagnant in 2024. Despite the decrease in average selling price, sales volume remained relatively stable for 2024 as compared to 2023 and unit cost of sales of Gabon ore were better managed in 2024. Accordingly, gross profit of manganese mining segment amounted to HK$203.1 million for 2024 (2023: HK$191.7 million).

For 2024, manganese mining segment recorded a profit of HK$171.1 million (2023: HK$160.0 million).

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 (%)
Year 2024							
EMM	**157,832**	**12,296**	**1,940,744**	**11,269**	**1,778,545**	**162,199**	**8.4**
Manganese briquette	**7,892**	**12,135**	**95,769**	**11,648**	**91,924**	**3,845**	**4.0**
	165,724	**12,289**	**2,036,513**	**11,287**	**1,870,469**	**166,044**	**8.2**
Alloy Products	**13,805**	**6,971**	**96,240**	**6,583**	**90,884**	**5,356**	**5.6**
Others	**65,021**	**464**	**30,171**	**294**	**19,137**	**11,034**	**36.6**
Total	**244,550**	**8,845**	**2,162,924**	**8,099**	**1,980,490**	**182,434**	**8.4**
Year 2023							
EMM	141,577	13,495	1,910,649	11,840	1,676,225	234,424	12.3
Manganese briquette	13,323	14,196	189,129	12,318	164,117	25,012	13.2
	154,900	13,556	2,099,778	11,881	1,840,342	259,436	12.4
Alloy Products	80,782	7,820	631,676	8,136	657,238	(25,562)	(4.0)
Others	65,000	347	22,575	345	22,426	149	0.7
Total	300,682	9,159	2,754,029	8,381	2,520,006	234,023	8.5

Revenue of EMM and alloying materials production segment decreased by 21.5% to HK$2,162.9 million for 2024 (2023: HK$2,754.0 million) mainly attributable to the followings:

(a) EMM Products continued to be our major products in terms of revenue and its average selling price recorded a decrease of 9.3% to HK$12,289 per tonne for 2024 (2023: HK$13,556 per tonne). Sales volume of EMM Products increased by 7.0% to 165,724 tonnes for 2024 (2023: 154,900 tonnes). The decrease in average selling price of EMM Products was mainly attributable to the decline in the price of manganese ore in 2024; and

(b) Revenue of Alloy Products decreased by 84.8% to HK$96.2 million for 2024 (2023: HK$631.7 million) mainly attributable to (i) the decrease in sales volume by 82.9% to 13,805 tonnes for 2024 (2023: 80,782 tonnes) as productions were halted since first half of 2024; and (ii) the decrease in average selling price of Alloy Products by 10.9% to HK$6,971 per tonne for 2024 (2023: HK$7,820 per tonne).

As a result of the decrease in average selling prices of EMM Products and Alloy Products, gross profit contribution of EMM and alloying materials production segment decreased by 22.1% to HK$182.4 million for 2024 (2023: HK$234.0 million). After taking into consideration the impairment losses on financial assets of HK$321.0 million recognised for the settlement of guarantee liability for a corporate guarantee provided by the Group in respect of banking facilities granted to Dushan Jinmeng, the Group's EMM and alloying materials production segment recorded a loss of HK$393.7 million for 2024 (2023: profit of HK$45.8 million).

Battery materials production segment

	Sales Volume (tonnes)	Average Selling Price (HK$/tonne)	Revenue (HK$'000)	Unit Cost of Sales (HK$/tonne)	Cost of Sales (HK$'000)	Gross Profit/ (Loss) (HK$'000)	Gross Profit/ (Loss) Margin (%)
Year 2024							
EMD	**73,407**	**15,272**	**1,121,037**	**8,650**	**634,960**	**486,077**	**43.4**
Manganese sulfate	**48,157**	**3,099**	**149,246**	**3,142**	**151,292**	**(2,046)**	**(1.4)**
Lithium manganese oxide	**6,510**	**34,731**	**226,100**	**34,404**	**223,971**	**2,129**	**0.9**
NCM	**0.7**	**62,857**	**44**	**75,714**	**53**	**(9)**	**(20.5)**
Trimanganese tetraoxide	**1,009**	**12,021**	**12,129**	**12,053**	**12,161**	**(32)**	**(0.3)**
Total	**129,084**	**11,687**	**1,508,556**	**7,921**	**1,022,437**	**486,119**	**32.2**
Year 2023							
EMD	78,779	15,725	1,238,795	8,747	689,084	549,711	44.4
Manganese sulfate	30,054	3,119	93,728	2,391	71,847	21,881	23.3
Lithium manganese oxide	5,618	68,654	385,700	83,018	466,396	(80,696)	(20.9)
NCM	–	–	–	–	–	–	–
Trimanganese tetraoxide	–	–	–	–	–	–	–
Total	114,451	15,013	1,718,223	10,724	1,227,327	490,896	28.6

Revenue of battery materials production segment for 2024 decreased by 12.2% to HK$1,508.6 million (2023: HK$1,718.2 million) and gross profit of this segment remained stable at HK$486.1 million for 2024 (2023: HK$490.9 million) mainly attributable to the followings:

(a) EMD continued to be our major battery materials product. Average selling price of EMD in 2024 remained relatively stable at HK$15,272 per tonne (2023: HK$15,725 per tonne), while sales volume of EMD for 2024 sightly decreased by 6.8% to 73,407 tonnes (2023: 78,779 tonnes), resulting in decreases in revenue and gross profit of EMD for 2024 as compared to 2023; and

(b) For 2024, average selling price of lithium manganese oxide decreased by 49.4% to HK$34,731 per tonne (2023: HK$68,654 per tonne). However, as the price of major raw material lithium carbonate became less volatile in 2024, unit cost of sales was better managed, thereby resulting in a turnaround from a gross loss for 2023 to a gross profit for 2024.

The battery materials production segment recorded a profit of HK$386.5 million for 2024 (2023: HK$334.2 million), representing an increase of 15.6%.

Other business segment

	Revenue (HK$'000)	Cost of Sales (HK$'000)	Gross (Loss)/ Profit (HK$'000)	Gross (Loss)/ Profit Margin (%)
Year 2024				
Trading	**8,363,781**	**8,829,044**	**(465,263)**	**(5.6)**
Year 2023				
Trading	11,348,043	11,330,474	17,569	0.2

Revenue of other business segment decreased to HK$8,363.8 million for 2024 (2023: HK$11,348.0 million), representing a decrease of 26.3%.

The Group's other business segment principally comprises the trading of various commodities such as manganese ores, EMM, manganese alloys, purified terephthalic acid and non-manganese metals, etc. Despite gross profits from trading operations were recorded by the Group for the recent years up to 2023, the Group experienced a gross loss from trading operations for 2024 mainly due to the substantial decline in market prices of manganese ore during 2024 and the Group did not timely adjust its sales strategy and failed to sell some commodities when the market prices were high. In view of the recent trend of commodity prices of manganese ore and non-manganese metals and the declining operating results of the Group's trading businesses during 2024, the Group is gradually adjusting the sales strategies of its trading operations.

Cost of Sales

Total cost of sales decreased by 21.0% to HK$12,804.2 million in 2024 (2023: HK$16,199.8 million) in line with the decrease of revenue.

Gross Profit

For 2024, the Group recorded a gross profit of HK$406.4 million (2023: HK$934.1 million), which represented a decrease of HK$527.8 million from 2023, or 56.5%. The Group's overall gross profit margin was 3.1%, representing a decrease of 2.4 percentage points from 5.5% for 2023. Decreased overall gross profit margin was mainly attributable to the gross loss incurred for the Group's trading business for 2024.

Other Income and Gains

Other income and gains decreased by 38.0% to HK$144.2 million for 2024 (2023: HK$232.7 million) mainly due to (a) decrease in subsidy income; (b) decrease in bank and other interest income; and (c) no compensation income for cancellation of purchase order from downstream customers of lithium manganese oxide was recognised for 2024.

Selling and Distribution Expenses

Selling and distribution expenses remained stable at HK$133.0 million for 2024 (2023: HK$135.5 million) mainly because of the increase in storage charges as a subsidiary of the Company's strategic error to hoard goods without selling, despite the decrease in revenue.

Administrative Expenses

Administrative expenses decreased by 18.7% to HK$523.9 million for 2024 (2023: HK$644.8 million) mainly attributable to (a) decrease in staff costs as performance related bonus decreased; and (b) reduction in research and development expenses.

Impairment Losses on Non-Financial Assets

Impairment losses on non-financial assets amounted to HK$17.8 million for 2024 (2023: HK$Nil) which mainly represented impairment losses on certain obsolete plant and machinery of the Group's production plant of Alloy Products which has halted production since the first half of 2024.

Impairment Losses on Financial Assets, Net

The amount mainly represented impairment allowance on amount due from our 33.00%-owned associate Dushan Jinmeng of HK$321.0 million arising from the settlement of guarantee liability for a corporate guarantee provided by the Group in respect of banking facilities granted to Dushan Jinmeng.

Finance Costs

For 2024, the Group's finance costs decreased by 40.4% to HK$144.8 million (2023: HK$243.2 million) mainly attributable to (a) a reversal of accrued interest amounted to HK$60.4 million on social insurance contribution payables as the amount was waived under the new statutory requirements since 1 January 2024; and (b) decrease in overall borrowings.

Other Expenses, Net

Other expenses, net increased to HK$124.6 million for 2024 (2023: HK$19.7 million) mainly because the Group recognised losses of HK$88.8 million arising from disposal of goods by suppliers for non-performance of manganese ore procurement contracts during 2024.

Share of Profits and Losses of Associates

In 2024, share of losses of associates of HK$10.1 million (2023: HK$4.8 million) mainly represents share of losses of 16.00%-owned associate Qingdao Manganese.

Income Tax Expense

For 2024, the effective tax rate was -5.9% (2023: 34.2%) which was negative because certain subsidiaries recording losses in the period did not recognise deferred tax arising from such losses for prudence. A reconciliation of the income tax expense at the statutory rate to that at the effect tax rate has been set out in note 11 to the consolidated financial statements.

(Loss)/Profit Attributable to Owners of the Company

For 2024, the Group's loss attributable to owners of the Company was HK$725.1 million (2023: profit of HK$64.1 million).

(Loss)/Earnings per Share

For 2024, loss per share attributable to owners of the Company was HK$0.2115 (2023: earnings per share of HK$0.0187).

Final Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2024 (2023: HK$Nil).

Use of Proceeds from IPO

Up to 31 December 2024, we utilised the net proceeds raised from the IPO in accordance with the designated uses set out in the Prospectus as follows:

	Description	Amount designated in Prospectus (HK$ Million)	Amount utilised up to 31.12.2024 (HK$ Million)	% utilised	Amount utilised up to 31.12.2023 (HK$ Million)	% utilised
1	Expansion project at Daxin EMD Plant	79	79	100.0	79	100.0
2	Expansion project of underground mining and ore processing at Daxin Mine	278	278	100.0	278	100.0
3	Expansion and construction projects of our EMM production facilities	516	516	100.0	516	100.0
4	Construction project at Chongzuo Base	59	59	100.0	59	100.0
5	Development of Bembélé Manganese Mine and associated facilities	119	119	100.0	119	100.0
6	Technological improvement and renovation projects at our production facilities	40	40	100.0	40	100.0
7	Acquisition of mines and mining rights	397	322	81.1	315	79.3
8	Repayment on a portion of our bank borrowings	297	297	100.0	297	100.0
9	Working capital and other corporate purposes	198	198	100.0	198	100.0
	Total	1,983	1,908	96.2	1,901	95.9

As at 31 December 2024, proceeds from IPO designated for acquisition of mines and mining rights to the extent of HK$75.0 million was not yet utilised. According to the Prospectus, the proceeds shall be used for the acquisition of mines, mining rights in relation to mines with identified mining resources or related production facilities. During the year 2024, HK$6.8 million was utilised and paid to the PRC government to extend the mining right of Changgou Manganese Mine. Annual progress payment of approximately RMB6.2 million from the year 2025 to 2032 are required to pay to the PRC government for the extension of Changgou Manganese Mine. Therefore, the unutilised proportion of IPO proceeds of HK$75.0 million is expected to be fully utilised on or before the year ending 31 December 2032. The unutilised portion of IPO proceeds continues to be maintained in deposits with licensed banks.

Liquidity and Financial Resources

Cash and bank balances

As at 31 December 2024, the currency denomination of the Group's cash and bank balances including pledged deposits and restricted deposits were as follows:

Currency Denomination	2024 HK$ million	2023 HK$ million
Denominated in:		
RMB	**655.9**	1,259.7
HKD	**3.3**	2.6
USD	**48.9**	25.9
XAF	**4.4**	2.9
EUR	**0.1**	0.1
	712.6	1,291.2

As at 31 December 2024, our cash and bank balances including pledged deposits and restricted deposits were HK$712.6 million (2023: HK$1,291.2 million) while the Group's borrowings amounted to HK$3,945.6 million (2023: HK$5,120.6 million). The Group's borrowings net of cash and bank balances as at 31 December 2024 amounted to HK$3,233.0 million (2023: HK$3,829.4 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

As at 31 December 2024, prepayments, other receivables and other assets classified under current assets decreased by 42.0% to HK$1,062.1 million (2023: HK$1,832.4 million). It was mainly attributable to decrease in purchase deposits for manganese ores.

Net current liabilities

As at 31 December 2024, the Group's net current liabilities increased to HK$1,659.4 million (2023: HK$891.3 million). The increase in net current liabilities was mainly attributable to the decrease in revenue and the operating loss for 2024.

Bank and other Borrowings

As at 31 December 2024, the Group's borrowing structure and maturity profile were as follows:

Borrowing structure	2024 HK$ million	2023 HK$ million
Secured borrowings (including lease liabilities)	**1,300.7**	813.1
Unsecured borrowings	**2,644.9**	4,307.5
	3,945.6	5,120.6

Maturity profile	2024 HK$ million	2023 HK$ million
Repayable:		
On demand or within one year	**2,910.1**	4,162.8
After one year and within two years	**229.3**	260.4
After two years and within five years	**806.2**	697.4
	3,945.6	5,120.6

Currency denomination	2024 HK$ million	2023 HK$ million
Denominated in:		
RMB	**3,944.1**	5,117.1
USD	**0.4**	0.4
HK$	**1.1**	3.1
	3,945.6	5,120.6

As at 31 December 2024, borrowings as to the amounts of HK$3,719.1 million (2023: HK$4,704.9 million) and HK$226.5 million (2023: HK$415.7 million), carried fixed and floating rate interest respectively. The fixed rate borrowings carried interest at rates ranging from 1.05% to 8.25%. The floating rate borrowings comprised RMB denominated loans carrying interest at a premium up to 45 basis points above the China Loan Prime Rate.

Overall, aggregate borrowings decreased to HK$3,945.6 million as at 31 December 2024 (2023: HK$5,120.6 million). The Group is continuing to explore various means including short-term or medium-term notes to improve borrowing structure in terms of interest rate level and repayment terms.

Charge on group assets

As at 31 December 2024, (a) right-of-use assets of HK$1.5 million (2023: HK$29.0 million) related to property, plant and equipment were held under leases; (b) bank balances of HK$282.4 million (2023: HK$289.2 million) were pledged to secure certain of the Group's bank acceptance notes payable and bank borrowings; (c) property, plant and equipment and leasehold lands of HK$824.2 million (2023: HK$579.9 million) and trade receivables of HK$44.1 million (2023: HK$45.8 million) were pledged to secure certain of the Group's bank and other borrowings; and (d) bank balances of HK$27.8 million (2023: HK$26.5 million) were restricted to secure certain potential claims from disputes with customers.

Key Financial Ratios of the Group

	2024	**2023**
Current ratio	**0.69**	0.88
Quick ratio	**0.51**	0.64
Net gearing ratio	**136.9%**	121.9%

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

As at 31 December 2024, current ratio and quick ratio decreased, and net gearing ratio increased, as compared to 31 December 2023, mainly attributable to the net loss results of the Group for 2024.

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.

During the year ended 31 December 2024, the Group recorded a consolidated net loss of HK$802.0 million (2023: profit of HK$72.4 million) and generated net cash inflows from operating activities of HK$1,597.8 million (2023: outflows of HK$319.8 million). As at 31 December 2024, the Group had net current liabilities of HK$1,659.4 million (2023: HK$891.3 million).

The Directors have carefully considered the Group's future liquidity, operational performance, and available sources of finance in assessing whether the Group has sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows and sustain its operations as a going concern, the Group has implemented or is in the process of implementing the following measures:

(a) The Group continues to restructure the mix of manganese products processing, aiming to increase the proportion of high-margin products to achieve profitable operations and positive cash flows. Specifically, the Group is ramping up the mining and processing capacity of existing mines. Additionally, in response to the recent trend of commodity prices for manganese ore and non-manganese metals and the declining operating results of the Group's trading businesses in 2024, the Group is gradually adjusting the sales strategies of its trading operations in 2025.

(b) The Group is implementing measures to tighten cost controls over administrative and other operating expenses, with the objective of improving its working capital and cash flow position, including closely monitoring daily operating expenditures.

(c) The Group is actively following up with debtors to accelerate the collection of outstanding receivables.

(d) The net loss for the year includes significant non-cash items, such as an impairment loss of HK$321.0 million on an amount due from an associate, which is considered one-off in nature. Consequently, the impact of this impairment on future cash flows is expected to be minimal.

(e) Contract liabilities of HK$367.0 million represent non-financial liabilities that do not require immediate cash outflows and will be recognised as revenue in the subsequent year upon fulfilment of performance obligations.

(f) The Group maintains strong, long-term relationship with its core banks, which provide continued support. To manage upcoming debt maturities, management is actively engaged in refinancing negotiations for borrowings due in the year ending 31 December 2025. Between 1 January 2025 and the date of authorisation of these financial statements, the Group has successfully renewed existing borrowings and obtained new bank borrowings totalling HK$324.0 million. Together with the availability of unutilised bank facilities, which are subject to final bank approval upon drawdown, the directors are of the opinion that the Group will be able to renew existing or secure new banking facilities, ensuing sufficient liquidity to support its operations throughout the year ending 31 December 2025.

(g) Certain existing high-value assets, including leasehold land, investment properties, property, plant and equipment, and mining rights, can be offered as security for further financing, if necessary.

(h) The Directors have prepared a cash flow forecast for the Group, which covers a period of twelve months from the end of the reporting period. The forecast indicates that the Group is able to generate sufficient operating cash inflows to meet its current and future obligations.

(i) The Group is actively exploring alternative financing options, including equity issuance and other forms of financing, to strengthen its financial position and reduce reliance on short-term borrowings.

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to sustain its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2024 on a going concern basis.

Credit risk

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

As at 31 December 2024, 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 31 December 2024, trade receivables due from Customer A was HK$232.0 million (31 December 2023: HK$232.0 million) and represented 27.4% (31 December 2023: 31.5%) of the Group's total trade receivables, which was totally overdue and fully provided as at 31 December 2024 and 31 December 2023. The Group continues to negotiate a repayment schedule with Customer A and will take further legal actions when necessary to speed up the collections of the debts.

As at 31 December 2024, the fully impaired amount due from Dushan Jinmeng of HK$321.0 million was arising from the settlement of guarantee liability in 2024 for a corporate guarantee provided by the Group on banking facilities granted to Dushan Jinmeng since 2015. Dushan Jinmeng's leasehold land and certain of its property, plant and equipment was pledged to the Group to secure the repayment and this right over charge will be exercisable if Duhan Jinmeng does not repay the amount on or before 19 May 2027.

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, the PRC 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 for self-use from oversea 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 expenses are denominated in RMB and XAF, which is pegged to EURO; while the freight charges are dominated in United States dollars.

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

"Enhancing Production Capacity, Reducing Costs, Promoting Efficiency, and Strengthening Management" – these focuses form the overarching strategy guiding our 2025 agenda, propelling the company to new heights on its path toward high-quality development.

Enhancing Production Capacity

The Group will focus on its annual operational targets by introducing advanced equipment, optimising production processes, and upskilling employees to unlock potential and boost both output volume and efficiency. We will strengthen on-site management, refine cost accounting, and resolve production bottlenecks. Multiple initiatives will be implemented to incentivise employees, ensuring accountability for responsibilities, output targets, and resource consumption at the individual level.

Reducing Costs

We will adopt scientific production planning, clarify accountability across critical areas (production, procurement, tendering, and operations), and implement multi-tiered accountability mechanisms to enforce refined cost control. Audit oversight will be intensified, with strict separation of operational and oversight roles. A robust performance evaluation system will reward teams and individuals who achieve significant cost reductions.

Promoting Efficiency

A culture of thrift will be instilled across the organization, with meticulous attention to every penny, unit, and detail to eliminate waste. All employees will be encouraged to propose efficiency measures and contribute ideas to reduce costs and enhance productivity.

Strengthening Management

We will rigorously fulfill responsibilities, build stronger teams, and elevate management capabilities to ensure efficient execution of operations. Employees will be guided to "think clearly, plan meticulously, communicate effectively, and execute efficiently" – fostering a workforce that is motivated, capable, and results-driven.

With a profound sense of responsibility and mission, we will act decisively to write a bold new chapter in our development.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the latest five financial years has been set out in the section headed "Five Year Financial Summary" of this annual report.

Mineral and Mining Report

Mineral and Mining Report

Resources and Reserves

Below is the information on our mineral resources and ore reserves in accordance with JORC Code as of 31 December 2024:

Summary of our manganese mineral resources

Mines	Ownership Percentage	JORC Resource Category	Million tonnes 31.12.2024	Average Manganese Grade (%) 31.12.2024	Million tonnes 31.12.2023	Average Manganese Grade (%) 31.12.2023
Daxin Mine	**100%**	Measured	**3.32**	**26.05**	3.32	26.05
		Indicated	**54.81**	**22.02**	55.42	22.02
		Subtotal	**58.13**	**22.25**	58.74	22.25
		Inferred	**0.43**	**21.23**	0.43	21.23
		Total	**58.56**	**22.24**	59.17	22.24
Tiandeng Mine	**100%**	Measured	**0.53**	**18.43**	0.53	18.43
		Indicated	**2.22**	**17.64**	2.23	17.62
		Subtotal	**2.75**	**17.79**	2.76	17.78
		Inferred	**3.43**	**14.32**	3.43	14.32
		Total	**6.18**	**15.90**	6.19	15.90
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	**14.65**	**20.32**	14.65	20.32
		Subtotal	**17.71**	**20.34**	17.71	20.34
		Inferred	**3.24**	**20.50**	3.24	20.50
		Total	**20.95**	**20.37**	20.95	20.37
Bembélé Manganese Mine	**51%**	Measured	**–**	**–**	–	–
		Indicated	**2.40**	**34.41**	4.36	34.68
		Subtotal	**2.40**	**34.41**	4.36	34.68
		Inferred	**12.37**	**32.74**	12.37	32.74
		Total	**14.77**	**33.01**	16.73	33.25
Total			**102.00**		104.58	

Summary of our manganese ore reserves

Mines	Ownership Percentage	JORC Resource Category	Million tonnes 31.12.2024	Average Manganese Grade (%) 31.12.2024	Million tonnes 31.12.2023	Average Manganese Grade (%) 31.12.2023
Daxin Mine	**100%**	Proved	**3.10**	**20.72**	3.10	20.72
		Probable	**52.35**	**19.19**	52.96	19.22
		Total	**55.45**	**19.27**	56.06	19.30
Tiandeng Mine	**100%**	Proved	**0.49**	**15.86**	0.49	15.86
		Probable	**2.09**	**16.28**	2.09	16.28
		Total	**2.58**	**16.20**	2.58	16.20
Waifu Manganese Mine	**100%**	Proved	**–**	**–**	–	–
		Probable	**–**	**–**	–	–
		Total	**–**	**–**	–	–
Changgou Manganese Mine	**64%**	Proved	**3.06**	**20.45**	3.06	20.45
		Probable	**14.65**	**20.32**	14.65	20.32
		Total	**17.71**	**20.34**	17.71	20.34
Bembélé Manganese Mine	**51%**	Proved	**–**	**–**	–	–
		Probable	**2.39**	**22.35**	4.35	27.77
		Total	**2.39**	**22.35**	4.35	27.77
Total			**78.13**		80.70	

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

Assumptions:

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

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

(b) The manganese resources and manganese ore reserves for Changgou Manganese Mine are based on the estimate in accordance with《錳礦礦產資源儲量核實報告》(Manganese Resources Verification Report) newly prepared in July 2020. The year end amounts have been confirmed by our internal experts.

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

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

Exploration, Development, and Mining Activities

I) Exploration

Overview

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 Bembélé Manganese Mine in Gabon and we have achieved certain exploration results.

Daxin Mine

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

Tiandeng Mine

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

Changgou Manganese Mine

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

Bembélé Manganese Mine

During the year, we 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 year.

II) Development

Daxin Mine

During the year, we continued the following infrastructure works or projects at the Daxin Mine:

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 31 December 2024, the tunnel construction works amounted to approximately 19,357 metres in length.

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

Tiandeng Mine

During the year, 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 year.

Waifu Manganese Mine

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

Changgou Manganese Mine

During the year, 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 year.

Bembélé Manganese Mine

During the year, we continued the following infrastructure works or projects at the Bembélé Manganese Mine:

(1) technical upgrade and maintenance project for lines 1-3 of the processing plant so as to enhance the processing capacity of Bembélé Manganese Mine;

(2) the railway track extension technical transformation project of the Ndjolé transit station has been completed, thereby increasing the railway transportation capacity from the mine to the Owendo port; and

(3) the second phase of tailings pond expansion project has been completed, thereby increasing our tailings storage 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 year.

III) Mining activities

(1) Mining operations

Daxin Mine

	2024	2023
Open pit mining		
Mining production volume (thousand tonnes)	**–**	18
Underground mining		
Mining production volume (thousand tonnes)	**593**	922
Total mining production (thousand tonnes)	**593**	940
Average manganese grade		
Manganese carbonate ore	**11.9%**	12.5%
Manganese oxide ore	**–**	–

Tiandeng Mine

	2024	2023
Open pit mining		
Mining production volume (thousand tonnes)	**234**	666
Average manganese grade		
Manganese carbonate ore	**11.9%**	11.8%
Manganese oxide ore	**13.1%**	13.5%

Waifu Manganese Mine

During the year, there were no mining production.

Changgou Manganese Mine

	2024	2023
Underground mining		
Mining production volume (thousand tonnes)	**33**	213
Average manganese carbonate grade	**16.0%**	15.3%

Bembélé Manganese Mine

	2024	2023
Open pit mining		
Mining production volume (thousand tonnes)	**1,954**	2,240
Average manganese oxide grade	**30.7%**	29.0%

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

(2) Ore processing operations

- Concentrating

Production volume (thousand tonnes)	**2024**	2023
Daxin Concentration Plant		
Manganese carbonate concentrate	**873**	820
Manganese oxide concentrate	**–**	–
Total	**873**	820
Average manganese grade of concentrate		
Manganese carbonate concentrate	**17.1%**	18.4%
Manganese oxide concentrate	**–**	–
Tiandeng Concentration Plant		
Manganese carbonate concentrate	**516**	500
Manganese oxide concentrate	**55**	70
Total	**571**	570
Average manganese grade of concentrate		
Manganese carbonate concentrate	**10.2%**	11.0%
Manganese oxide concentrate	**20.1%**	20.2%
Bembélé Concentration Plant		
Manganese oxide concentrate	**1,078**	1,380
Average manganese grade of concentrate	**34.6%**	35.0%

- Grinding

Production volume (thousand tonnes)	**2024**	2023
Daxin Grinding Plant		
Powder produced	**1,058**	1,013
Tiandeng Grinding Plant		
Powder produced	**477**	504

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

IV) Downstream processing operations

(1) EMM and alloying materials

- EMM

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

Production (thousand tonnes)	2024	2023
Daxin EMM Plant	99.0	88.8
DXML EMM Plant	10.4	13.7
Tiandeng EMM Plant	39.2	42.7
Guangxi Start EMM Plant	17.3	12.1
Total	165.9	157.3

- Manganese briquette

Production (thousand tonnes)	2024	2023
Chongzuo Branch	–	–
Daxin Branch	10.3	14.3
Total	10.3	14.3

- Silicomanganese alloy

Production (thousand tonnes)	2024	2023
Qinzhou Ferroalloy Plant	1.8	41.2
Xingyi Ferroalloy Plant	11.3	72.1
Total	13.1	113.3

(2) Battery materials

- EMD

Production (thousand tonnes)	2024	2023
Daxin EMD Plant	**17.2**	20.1
Huiyuan Manganese	**62.8**	67.5
Total	**80.0**	87.6

- Lithium manganese oxide

Production (thousand tonnes)	2024	2023
Chongzuo Branch	**6.4**	5.4

- Manganese sulfate

Production (thousand tonnes)	2024	2023
Daxin Manganese Sulfate Plant	**20.2**	13.4
Huiyuan Manganese	**28.5**	16.9
Total	**48.7**	30.3

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

V) Exploration, Development and Mining Cost of the Group

Expenses of exploration, development and mining activities of the Group for the year ended 31 December 2024 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	–	–	–	–	–	–
Drilling and analysis	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Transportation	–	–	–	–	–	–
Sub-contracting fee	–	–	–	–	–	–
Depreciation	–	–	–	–	–	–
Others	–	–	–	–	–	–
	–	–	–	–	–	–
Development activities						
(including mine construction)						
Purchases of assets and equipment	–	529	–	–	–	529
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Others	517	–	–	–	17,436	17,953
	517	529	–	–	17,436	18,482
Mining activities*						
Staff cost	4,316	8,539	–	3,903	–	16,758
Consumables	423	5,953	–	218	–	6,594
Fuel, electricity, water and other services	1,993	7,923	–	3,808	–	13,724
Transportation	8,320	–	–	–	39,634	47,954
Sub-contracting fee	182,001	1,010	–	14,996	115,710	313,717
Depreciation	37,404	5,680	–	–	8,989	52,073
Others	4,000	5,207	–	151	3,560	12,918
	238,457	34,312	–	23,076	167,893	463,738

(* Concentrating not included)

Note: The above figures are rounded to nearest whole number and these figures may show apparent addition errors.

Directors and Senior Management Profiles

Directors and Senior Management Profiles

Executive Directors

Mr. Zhang Yi (張逸), aged 36, joined in 2024 and is the Chairman and Executive Director of the Company. He is also a member of Remuneration Committee and Nomination Committee. He obtained the undergraduate degrees in environmental engineering and international economics and trade from Jinan University in July 2010. From May 2016 to October 2017, he worked as a securities representative of Hynar Water Group Co., Ltd. (stock code: 300961.SZ). From July 2019 to August 2024, he was a deputy manager of the capital operation and securities affairs department and a securities representative of Hunan Chendian International Development Co., Ltd. (stock code: 600969.SH).

Mr. Zhang He (張賀), aged 38, joined in 2020 and is the Executive Director and vice president of the Company. He is also a member of Remuneration Committee and Nomination Committee. He is also a director of South Manganese Group. He is also a director of several subsidiaries of the Group, He obtained a master's degree in accounting from Jilin University in 2012. He has held various positions including assistant to the general manager of the seventh business development department in Huarong Securities Co., Ltd. and China Huarong International Holdings Limited (both are subsidiaries of China Huarong Asset Management Co., Ltd. ("China Huarong")). From 2016 to 2018, he served as the general manager of the risk management department of Huarong International Financial Holdings Limited (Stock Code: 0993.HK) (a subsidiary of China Huarong). Mr. Zhang He is familiar with the rules of domestic and overseas securities markets and the standardized operations of listed companies and has extensive company management work experience.

Mr. Xu Xiang (徐翔), aged 30, joined in 2022 and is the Executive Director and vice president of the Company. He holds a double bachelor's degree in auditing from Nanjing Audit University. From 2017 to 2021, he worked in different audit firm and investment fund management company handling audit, investment and risk management works. Subsequently, he joined South Manganese Group in April 2021 as the general manager assistant. Mr. Xu holds the fund practitioner qualification certificate and securities industry qualification certificate. He has extensive experience in the fields of accounting, auditing, investment and risk management.

Mr. Liu Yang (劉陽), aged 42, joined in 2024 and is the Executive Director of the Company. He obtained the bachelor's degree in law from Liaoning University in June 2006. From March 2013 to September 2016, he was the person in charge of the internal audit department of Bank of Jinzhou. From October 2016 to October 2019, he was the person in charge of the risk management department of Bank of Jinzhou. From October 2019 to August 2024, he served as the person in charge of the internal control and compliance department of Bank of Jinzhou.

Mr. Pan Shenghai (潘聲海), aged 55, joined in 2022 and is the Executive Director of the Company. He graduated from Zhongnan University of Economics and Law with a bachelor degree in accounting. He worked as the manager of investment and development department of Guangxi Communications Industry Co., Ltd., which is a wholly owned subsidiary of Guangxi Communications Investment Group Co., Ltd. ("Guangxi Communications Investment", the indirect holding company of Guangxi Dameng (an indirect substantial shareholder of the Company)) from December 2009 to June 2015. He worked in Guangxi Communications Investment Trading Co., Ltd. (a wholly owned subsidiary of Guangxi Communications Investment) from July 2015 to October 2020, with his last position as the manager of the risk control department. Thereafter, he joined Guangxi Dameng in November 2020 as the head of the operation and management department and currently served as the vice general manager of Guangxi Dameng. Mr. Pan holds a PRC legal professional qualification certificate and a senior accountant qualification certificate. Mr. Pan has extensive experience in business management, risk control, investment development and other fields.

Ms. Cui Ling (崔凌), aged 49, joined in 2019 and is the Executive Director of the Company. Ms. Cui was the head of financial department of Linan Railway Co., Ltd. (an associate company of Guangxi Railway Investment Group Co., Ltd. ("Guangxi Railway", the direct controlling shareholder of Guangxi Dameng (an indirect substantial shareholder of the Company))) from 2011 to 2012. She has held a number of positions in Guangxi Railway and certain of its subsidiaries since May 2012 including the deputy head of finance and planning department of Guangxi Railway from 2014 to 2018. She served as the deputy general manager and chief financial officer of Guangxi Dameng from 2018 to 2021, and has been redesignated as a director of Guangxi Dameng since November 2021. Ms. Cui graduated from Beijing Jiaotong University with a major in accounting and has the certified senior accountant qualification in the PRC.

Non-Executive Director

Mr. Huang Chuangxin (黃創新), aged 50, joined in 2024 and is a non-executive Director of the Company. He is also a member of Audit Committee. He graduated from Central University of Finance and Economics with a bachelor degree in economics. From July 1996 to May 2001, Mr. Huang served various positions mainly responsible for project management, financial management and joint venture management at China Guangxi Corporation For International Techno-Economic Cooperation. From May 2001 to March 2010, Mr. Huang was the director and chief financial officer of Nandan County Yuanyangqiao Hydropower Development Co., Ltd. (a subsidiary of Guangxi Guohong Economic Development Group Co., Ltd. at that time). He then served as the deputy manager of the investment department of Guangxi Guohong Economic Development Group Co., Ltd. from April 2010 to January 2012. From April 2012 to August 2020, Mr. Huang served Guangxi Liuzhou Beigang Xijiang Port Co., Ltd. (formerly known as Guangxi Luzhai Tongzhou Logistics Co., Ltd.) with his last position as chairman. From May 2019 to November 2023, Mr. Huang was also the chairman and legal representative of Guangxi Liuzhou Hongyong Investment Co., Ltd. In January 2024, Mr. Huang joined Guangxi Dameng (an indirect substantial shareholder of the Company) as the head of operations management department and has later become the head of international business department since May 2024. Mr. Huang holds the qualifications of engineer and assistant economist.

Independent non-executive Directors

Mr. Zhang Yupeng (張宇鵬), aged 44, joined in 2020 as an independent non-executive Director of the Company. He is the Chairman of Nomination Committee and a member of Remuneration Committee and Audit Committee. He obtained a bachelor's degree in civil engineering from China University of Petroleum (East China) in 2003 and a master's degree in engineering from the International School of Software of Wuhan University in 2006. Mr. Zhang has held various positions in the General Office of the People's Government of Shandong Province, China. He is familiar with Chinese government operation procedures as well as the procedures and operations of capital operation projects. He is also conversant with the operation of investment and financing business, and is skillful at market analysis and modern enterprise management.

Mr. Yuan Mingliang (袁明亮), aged 57, joined in 2021 as an independent non-executive Director of the Company. He is the Chairman of Remuneration Committee and a member of Nomination Committee and Auditor Committee. He has been a professor of materials science and doctoral supervisor of Central South University since 2003. From 2004 to 2005, Mr. Yuan also worked as a senior visiting scholar at the University of Alberta in Canada for collaborative scientific research. From 2012 to 2017, he has served as a technical consultant successively for Nuokai Chemical Trading (Shanghai) Co., Ltd. (諾凱化工貿易(上海)有限公司), Guangxi Yuanchen New Energy Materials Co., Ltd. (廣西遠辰新能源材料有限責任公司) and Lingshan Jiaofeng Chemical Co., Ltd. (靈山縣驕豐化工有限公司). He was also responsible for the new product development, technology service and technology management as a project leader in partnership with many large domestic manganese processing enterprises such as Chenzhou Jinyitai Manganese Industry Co., Ltd. (郴州金怡泰錳業有限公司), Anhui Xinmengdu Technology Co., Ltd. (安徽新錳都科技有限公司).

Mr. Lo Sze Hung (盧思鴻), aged 40, joined in 2022 as an independent non-executive Director of the Company. He obtained a degree of Bachelor of Business Administration (Professional Accountancy) from The Chinese University of Hong Kong in 2006. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2010. Mr. Lo worked for PricewaterhouseCoopers Hong Kong, from September 2006 to June 2015, with his last position as senior manager. He also worked at Hutchison Port Holdings Group from June 2015 to July 2017, as the group finance manager, and at Sino Vision Worldwide Holdings Limited (former stock code: 8086.HK), from July 2017 to February 2019, with his last position as the group chief financial officer and company secretary. Mr. Lo was the assistant general manager of the finance department of HKIA Services Holdings Limited (a subsidiary under Airport Authority Hong Kong) from February 2019 to February 2021. Mr. Lo joined Pine Care Group Limited (former stock code: 1989.HK) on 22 February 2021 as the chief financial officer and was appointed as company secretary on 13 April 2021.

Mr. Zhou Jie (周杰), aged 43, joined in 2024 as an independent non-executive Director of the Company. He obtained a bachelor degree of marketing from Anhui University of Technology in 2004. Mr. Zhou has extensive experience in marketing, advertising and project management. From August 2006 to August 2010, Mr. Zhou engaged in marketing and promotion works at Shanghai Zhongshi International Advertisement Co., Ltd.. He then worked at CCTV Sports & Entertainment Co., Ltd. as a project manager from August 2010 to January 2012. From August 2012 to August 2016, Mr. Zhou was the marketing director of Beijing Huodongbang Technology Co., Ltd. In 2018, Mr. Zhou joined Alibaba Group and worked as a senior expert of its Digital Media and Entertainment Group from September 2018 to June 2020. After that, he served as a senior expert at the marketing department of the Local Services Group of Alibaba Group from June 2020 to October 2022. Since October 2023, Mr. Zhou has been the general manager of Beijing Zhongyihui Brand Management Co., Ltd.

Mr. Luo Guihua (羅貴華), aged 59, joined in 2024 as an independent non-executive Director of the Company. He obtained the master degree in engineering from East China University of Science and Technology in 1990 and his degree in master of business administration through completing the Executive MBA programme of China Europe International Business School in 2008. He also holds the qualification as a senior engineer. From 1985 to 1993, Mr. Luo served as an associate professor at East China University of Science and Technology. From 1993 to 1998, he worked as the deputy general manager of Shanghai Huaming High-Tech (Group) Co., Ltd. Since 1998, Mr. Luo has been as the general manager and director of Shanghai Metinform System Co., Ltd. He currently serves as the vice president of the Science and Technology Application Branch of the China Association of Port-of-Entry, the vice president of the Shanghai International Trade Society and the vice president of the Shanghai Free Trade Zone Association. He is also a part-time professor at various universities such as Shanghai Jiaotong University, Shanghai University of International Business and Economics, Shanghai Maritime University and the Chinese University of Hong Kong. With more than 26 years of practical experience, Mr. Luo is familiar with the application of information technology in international trade and logistics, as well as corporate strategy, product and technology innovation and organizational capacity building. Mr. Luo served as an independent director of Shanghai Yanhua Smartech Group Co., Ltd. (stock code: 002178. SZ), a company listed on the Shenzhen Stock Exchange, from December 2012 to February 2018. He also served as an independent director of Jiangsu Feiliks International Logistics Inc. (stock code: 300240.SZ), a company listed on the Shenzhen Stock Exchange, from May 2014 to September 2015.

Mr. Wu Qi (吳琦), aged 52, joined in 2024 as an independent non-executive Director of the Company. He graduated from Guangxi University of Science and Technology with a bachelor degree in law in 2007. Mr. Wu served as the general manager of Yizhou Hongrun Trading Co., Ltd. from 2011 to 2012. He then worked as the general manager of Nanning Runmin Advertising Co., Ltd. from 2012 to 2014. Since 2015, Mr. Wu has been a practicing lawyer at Guangxi Pengcheng Law Firm. He has also served as a legal advisor to government agencies and institutions such as the Guangxi Autonomous Region Overseas Chinese Federation since 2019. Mr. Wu's area of legal practice focuses on civil and commercial legal affairs. He has extensive experience in handling complex commercial disputes, especially in contract disputes, corporate legal affairs and intellectual property protection. Mr. Wu was elected as a member of Yizhou Municipal People's Political Consultative Conference in 2012.

Senior Management

Mr. Leung Chit Yu (梁捷瑜), aged 40, joined the Company in 2021. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and has the Financial Risk Manager certification offered by Global Association of Risk Professionals.

Corporate Governance Report

The Company has always adhered to the core values of "relying on manganese as resources, people as base, to create wealth and life". We acquire high-quality manganese ore resources through exploration and acquisitions, accelerate technological improvement and product research and development, improve energy saving and environmental protection, strengthen management and scientific research team building, expand supply chain services, increase production capability and international manganese ore trade, in order to practice our strategy of "being a world-class manganese corporation with top-level development, modern technology and integrated whole industry chain", building South Manganese brand name, promoting manganese industry upgrade, and becoming the leader group in the industry.

The Company is committed to maintaining a good and sensible framework of corporate governance and to complying with applicable statutory and regulatory requirements with a view to assuring the conduct of the management of the Company as well as protecting the interests of all shareholders. We respect and are committed to comply with the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. The Board assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company.

Compliance with the Code on Corporate Governance Practices

Save for the deviation from code provision C.2.1 during the period from 1 January 2024 to 9 September 2024, the Board is of the view that the Company has, for the year ended 31 December 2024, applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix C1 to the Listing Rules.

From 22 December 2020 to 9 September 2024, the posts of Chairman and Chief Executive Officer were combined and Mr. Li Weijian, the then Chairman of the Board also assumed the role of the Chief Executive Officer. This arrangement was in contravention of code provision C.2.1 of the CG Code. Since 10 September 2024, the roles of Chairman and Chief Executive Officer is no longer performed by the same individual.

Chairman and Chief Executive Officer

The CG Code provision C.2.1 requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Yi, who is the chairman of the Board of the Company with effect from 10 September 2024, provides leadership and is responsible for ensuring that the Board is functioning properly with good corporate governance practices and procedures.

Mr. Pan Shenghai was redesignated from a non-executive Director to an executive Director with effect from 10 September 2024, and has been appointed as the chief executive officer of the Company subject to the Hong Kong Immigration Department issuing working visa permission to Mr. Pan. Up to date of this annual report, the working visa permission of Mr. Pan is in progress of application. During this period, day-to-day management of the Group's business and the implementation of the Board's policies is managed by a group of vice presidents who are also the executive directors of the Company.

Board of Directors

As at 31 December 2024, the Board comprises a total of thirteen members, with six executive Directors, one non-executive Director and six independent non-executive Directors:

Executive Directors:

Mr. Zhang Yi (Chairman)
Mr. Zhang He
Mr. Xu Xiang
Mr. Liu Yang
Mr. Pan Shenghai
Ms. Cui Ling

Non-executive Director:

Mr. Huang Chuangxin

Independent non-executive Directors:

Mr. Zhang Yupeng
Mr. Yuan Mingliang
Mr. Lo Sze Hung
Mr. Zhou Jie
Mr. Luo Guihua
Mr. Wu Qi

The list of directors of the Company and their respective roles and functions are posted on the websites of the Company and the Stock Exchange.

The Board has a balanced composition of executive, non-executive and independent non-executive Directors so that it can effectively exercise independent judgement.

The Board possesses a balance of skills and experience appropriate for requirements of the business of the Company. All Directors take decisions objectively in the interests of the Company. The Directors, individually and collectively, are aware of their responsibilities and accountability to shareholders and for the manner in which the affairs of the Company are managed and operated.

The Group has management expertise in manganese exploration, mining and development as well as ore processing and downstream manganese processing operations. The Board has the required knowledge, experience and capabilities to operate and develop the Group's businesses and implement its business strategies.

The biographies of the Directors and senior management are set out on pages 46 to 49 of this annual report.

The Board determines which functions are reserved to the Board and which are delegated to the management. It delegates appropriate aspects of its management and administrative functions to management. It also gives clear directions as to the powers of management; in particular, with respect to the circumstances where management must report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. These arrangements are reviewed on a periodic basis to ensure they remain appropriate to the needs of the Company.

Important matters are reserved to the Board for its decision, including long-term objectives and strategies, extension of the Group's activities into new business areas, appointments to the Board and the board committees, annual internal controls assessment, annual budgets, material acquisitions and disposals, material connected transactions, announcements of interim and final results and dividend proposal, etc.

Appointment, Retirement and Re-election of Directors

All Directors are subject to re-election at regular intervals. The Bye-Laws provides that at each annual general meeting, one-third of the Directors shall retire from office by rotation and every Director is subject to retirement at least once every three years. In addition, any Director appointed by the Board to fill a causal vacancy shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company recognises that diversity at both the Board and workforce (including senior management) level will support the attainment of the Company's strategic objectives and sustainable development. Further details of our workforce diversity is disclosed in our Human Resources Report.

It also sets out the Board's consideration to gender diversity and other diversity aspects, with the ultimate goal of achieving gender parity on the Board and workforce level (subject to nature of the job position). The Company currently has one female Director, and the Board will take opportunities and consider to increase the proportion of female members over time as and when suitable candidates are identified.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other factors. The Nomination Committee is responsible for reviewing the composition of the Board with reference to these factors and by taking into consideration the Company's business model and specific needs from time to time.

The Nomination Committee is also responsible for reviewing the board diversity policy, measurable objectives and progress achieved thereof to ensure the policy's continued effectiveness from time to time.

Non-executive Directors and Independent Non-executive Directors

The non-executive Directors and the independent non-executive Directors are seasoned individuals from diversified backgrounds and industries and one of the independent non-executive Directors has an appropriate accounting qualification and related financial management expertise as required by the Listing Rules.

With their expertise and experience, they serve the relevant function of bringing independent judgement and advice on the overall management of the Company. They take the lead where potential conflicts of interests arise. Their responsibilities include maintaining a balance between the interests of minority shareholders and the Company as a whole. All independent non-executive Directors are invited to participate in board meetings so that they are able to provide at such meetings their experience and judgement on matters discussed in the meetings.

Our non-executive Director, Mr. Huang Chuangxin has entered into service agreement with the Company for a fixed term of three years commencing from 10 September 2024.

Our independent non-executive Directors, Mr. Zhang Yupeng, Mr. Yuan Mingliang and Mr. Lo Sze Hung have entered into service agreement with the Company respectively for a fixed term of two years commencing from 22 December 2022, 31 March 2023 and 28 October 2022 respectively.

Our independent non-executive Directors, Mr. Zhou Jie, Mr. Luo Guihua and Mr. Wu Qi have entered into service agreement with the Company for a fixed term of three years all commencing from 10 September 2024.

All independent non-executive Directors serve on the Nomination Committee, Remuneration Committee and Audit Committee. They are invited to participate in board meetings so that they are able to provide at such meetings their experience and judgement on matters discussed in the meetings.

Independence of Independent Non-executive Directors

In determining the independence of the independent non- executive Directors, the Company makes reference to the criteria of independence as set out in Rule 3.13 of the Listing Rules. Assessments of the independent non-executive Directors' independence are carried out upon their appointment, annually and at any other time as appropriate. The Nomination Committee conducts annual review of the independence of independent non-executive Directors before confirming their independence status to the Board. The relevant independent non-executive Directors will abstain from participating in the assessments of their own independence.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all the independent non-executive Directors meet the guidelines for assessing independence as set out in rule 3.13 of the Listing Rules and considers them to be independent.

Directors' Commitments

The Board regularly reviews the contributions required from Directors to perform their responsibilities to the Company, and whether they are spending sufficient time and attention in performing their responsibilities. It also considers whether Directors, who have multiple board representations, are able to and have been devoting sufficient time to discharge their responsibilities as Directors of the Company adequately.

The Company has received confirmation from each Director that he/she has spent sufficient time and attention to the affairs of the Company during the year.

All Directors have also disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations. Directors are reminded to notify the Company Secretary in a timely manner any change of such information.

Responsibilities of Directors

Directors, both collectively and individually, are required to fulfill fiduciary duties and duties of skill, care and diligence to a standard commensurate with the standard established by the laws of Hong Kong. Every Director is required to know his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Independent non-executive Directors and non- executive Directors shall make positive contributions to the development of the Company's strategy and policies through independent, constructive and informed comments.

The Company provides Directors with a directors' and officers' liability insurance coverage to protect them from loss as a result of any legal proceedings against themselves.

Directors' Interests

To the best of the knowledge of the Company, there is no financial, business, family or other material or relevant relationship among members of the Board or between the Chairman and the Chief Executive Officer.

Model Code for Securities Transactions by Directors

The Company has adopted the rules of no less stringent than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules (the "Securities Dealings Code") as its code of conduct for dealings in securities of the Company by the Directors.

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

Handling and Dissemination of Inside Information

The Company has in place a policy on handling and dissemination of inside information ("Policy"), which has taken into account the requirements of Part XIVA (Disclosure of Inside Information) of the Securities and Futures Ordinance and the Listing Rules in relation to the continuing disclosure obligation of inside information. The Policy sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to price the listed securities of the Company with the latest available information.

This Policy also provides guidelines to staff of the Company to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publication of the relevant information on the websites of the Company and the Stock Exchange, according to the requirements of the Listing Rules.

Supply of and Access to Information

All Directors are provided in a timely manner with appropriate information that enables them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company. To ensure that the Board is well supported by accurate, complete and timely information, Directors have unrestricted access to Board papers, minutes and related materials.

Management is aware that it has an obligation to supply the Board and board committees with adequate information in a timely manner to enable them to make informed decisions. The information supplied must be complete and reliable.

The Board and each Director have separate and independent access to the Company's senior management. In respect of regular Board meetings and board committee meetings and so far as practicable in all other cases, an agenda and accompanying meeting papers are sent in full to the Directors or respective committee members in a timely manner and at least 3 days before the intended date of meeting.

Continuous Professional Development

All Directors, including non-executive Directors and Independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group.

All Directors participate in continuous professional development to develop and refresh their knowledge and skills. The Company from time to time keep the Directors updated on areas, including directors' duties and responsibilities, corporate governance and changes in regulatory requirements, to enable them to properly discharge their duties. The Company is responsible for arranging and funding suitable training for Directors. Each of the Directors provides a record of the training he received to the Company on an annual basis.

A summary of trainings attended by the Directors during the year is set out below:

DIRECTORS	TYPES OF CONTINUOUS PROFESSIONAL DEVELOPMENT (NOTES)
Executive Directors	
Mr. Zhang Yi (appointed as Executive Director on 9 September 2024, and appointed as Chairman on 10 September 2024)	(1), (2)
Mr. Zhang He	(1), (2)
Mr. Xu Xiang	(1), (2)
Mr. Liu Yang (appointed on 9 September 2024)	(1), (2)
Mr. Pan Shenghai (redesignated as Executive Director on 10 September 2024)	(1), (2)
Ms. Cui Ling (redesignated as Executive Director on 30 September 2024)	(1), (2)
Mr. Li Weijian (removed on 9 September 2024)	(1), (2)
Mr. Li Junji (removed on 9 September 2024)	(1), (2)
Non-executive Director	
Mr. Huang Chuangxin (appointed on 10 September 2024)	(1), (2)
Independent Non-executive Directors	
Mr. Zhang Yupeng	(1), (2)
Mr. Yuan Minliang	(1), (2)
Mr. Lo Sze Hung	(1), (2)
Mr. Zhou Jie (appointed on 10 September 2024)	(1), (2)
Mr. Luo Guihua (appointed on 10 September 2024)	(1), (2)
Mr. Wu Qi (appointed on 10 September 2024)	(1), (2)

Notes:

(1) Attending seminars and/or conferences and/or forums and/or in-house trainings

(2) Reading materials in relation to the roles, functions and duties of a listed company Director and the latest developments in the relevant rules and regulations

2024 Directors' Attendance Records at Board Meetings, Committee Meetings, 2024 AGM and 2024 SGM

Attendance records of the Directors at Board meetings, Nomination Committee meetings, Remuneration Committee meetings, Audit Committee meetings, chairman's meeting with independent and other non-executive directors held in 2024 and 2024 AGM and 2024 SGM are as follows:

	Number of meetings held during the year Attended / Eligible to attend							
	Board meeting	Chairman's meeting with independent non-executive Directors	Independent non-executive Directors' meeting	Nomination Committee	Remuneration Committee	Audit Committee	2024 AGM	2024 SGM
Executive Directors								
Mr. Zhang Yi (appointed as Executive Director on 9 September 2024, and appointed as Chairman on 10 September 2024)	5/5	N/A	N/A	2/2	2/2	N/A	N/A	1/1
Mr. Zhang He	14/15	N/A	N/A	3/3	3/3	N/A	1/1	1/2
Mr. Xu Xiang	15/15	N/A	N/A	N/A	N/A	N/A	1/1	2/2
Mr. Liu Yang (appointed on 9 September 2024)	5/5	N/A	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Pan Shenghai (redesignated as Executive Director on 10 September 2024)	12/15	N/A	N/A	1/1	1/1	N/A	1/1	2/2
Ms. Cui Ling (redesignated as Executive Director on 30 September 2024)	8/15	N/A	N/A	N/A	N/A	2/3	0/1	2/2
Mr. Li Weijian (removed on 9 September 2024)	8/10	1/1	N/A	1/1	1/1	N/A	0/1	1/1
Mr. Li Junji (removed on 9 September 2024)	10/10	N/A	N/A	N/A	N/A	N/A	1/1	1/1
Non-executive Director								
Mr. Huang Chuangxin (appointed on 10 September 2024)	3/3	N/A	N/A	N/A	N/A	1/1	N/A	1/1
Independent non-executive Directors								
Mr. Zhang Yupeng	14/15	1/1	1/1	3/3	3/3	4/4	1/1	2/2
Mr. Yuan Mingliang	15/15	1/1	1/1	3/3	3/3	4/4	1/1	2/2
Mr. Lo Sze Hung	12/15	0/1	1/1	2/3	3/3	4/4	1/1	1/2
Mr. Zhou Jie (appointed on 10 September 2024)	3/3	N/A	N/A	1/1	1/1	1/1	N/A	1/1
Mr. Luo Guihua (appointed on 10 September 2024)	3/3	N/A	N/A	1/1	1/1	1/1	N/A	1/1
Mr. Wu Qi (appointed on 10 September 2024)	3/3	N/A	N/A	1/1	1/1	1/1	N/A	1/1
Average attendance rate	87%	75%	100%	93%	100%	94%	78%	91%

Board Meetings

Under code provision C.5.1 of the CG Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. The Board has scheduled to meet at least four times a year in approximately quarterly intervals, either in person or by electronic means of communication.

A total of fifteen board meetings were held in 2024 to discuss and review, inter alia, the following matters:

1) the business development, acquisition and strategies of the Group;

2) the financing matters and capital structure of the Group;

3) the Group's financial and operational performance;

4) the annual and interim results of the Group;

5) the Group's cost reduction and efficiency increase measures;

6) the dividend proposals;

7) the auditor's fees;

8) the Group's internal control matters;

9) the Group's corporate governance matters including change of directors.

In addition to board meetings, the chairman also holds regular meetings with executive Directors and at least one meeting with independent non-executive Directors annually without the presence of other Directors. The independent non-executive Directors freely provide their independent opinion to the Board.

All Directors are invited to include matters in the agenda for regular board and committee meetings. The Company gives not less than fourteen days prior written notice of a regular board meeting and reasonable prior notice for all other board meetings.

If any Director or his associates have any material interest in any proposed Board resolutions, such Director shall not vote (nor be counted in the quorum) at a meeting of the Directors on any resolutions approving any contract or arrangement or concerning a matter in which he or any of his associates has directly or indirectly a material interest.

All Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

Directors with different views are encouraged to voice their concerns. They are allowed sufficient time for discussion of issues so as to ensure that Board decisions fairly reflect Board consensus. A culture of openness and debate is promoted to facilitate the effective contribution of Non-executive Directors and ensure constructive relations between Executive and non-executive Directors. During the year, the Chairman met with the Independent non-executive Directors and non-executive Directors.

Minutes of the meetings of the Board and board committees record in sufficient detail the matters considered by the Board and the board committees, the decisions reached, including any concerns raised by Directors or dissenting views expressed. Minutes of the meetings of the Board, the Nomination Committee, the Remuneration Committee and the Audit Committee are sent to all Directors or respective board committee members for their comment and record within a reasonable period after the meetings are held. Minutes of the meetings of the Board, the Nomination Committee, the Remuneration Committee and the Audit Committee are kept by the Company Secretary.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures and all applicable rules and regulations are followed. The Directors also have separate and independent access to the senior management of the Company to make further enquiries or to obtain more information where necessary. The Company provides an agreed procedure enabling the Directors to seek independent professional advice at the Company's expense.

Delegation by the Board

1. Board Committees

The Board has delegated authority to Nomination Committee, Remuneration Committee and Audit Committee with specific roles and responsibilities. Their terms of reference and composition are posted on the websites of the Company and the Stock Exchange and reviewed and updated regularly to ensure that they remain appropriate and reflect changes in good practice and governance.

A. Nomination Committee

The Nomination Committee is responsible to the Board for leading the process for Board appointments, its succession planning and for identifying and nominating for the approval of the Board candidates for appointment to the Board and appointment of senior management.

The Nomination Committee is also responsible for reviewing the structure, size and composition (including age, gender, skills, knowledge and experience) of the Board at least annually and making recommendations to the Board regarding any proposed changes, identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. The Nomination Committee is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and plans for succession of Directors.

The Nomination Committee has adopted a board diversity policy which is posted on the website of the Company. The Board has conducted annual review on the policy and considered it sufficient and effective.

The Nomination Committee discusses and agrees annually the relevant measurable objectives that the Board has set for implementing the policy and makes recommendation to the Board for approval. It also monitors the implementation of the policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the policy.

The criteria for the Nomination Committee to select and recommend a candidate for directorship include the candidate's age, gender, skill, knowledge, experience, integrity and potential contributions to the Board and whether he/she can demonstrate a standard of competence commensurate with his/her position as a director of the Company.

The Nomination Committee is provided with sufficient resources, including the advice of professional firms, if necessary, to discharge its duties.

At the date of this annual report, the members of the Nomination Committee are as follows:

Mr. Zhang Yupeng
(Independent non-executive Director)
(Committee Chairman)
Mr. Yuan Mingliang
(Independent non-executive Director)
Mr. Lo Sze Hung
(Independent non-executive Director)
Mr. Zhou Jie
(Independent non-executive Director)
Mr. Luo Guihua
(Independent non-executive Director)
Mr. Wu Qi (Independent non-executive Director)
Mr. Zhang He (Executive Director)
Mr. Zhang Yi (Executive Director)
Mr. Pan Shenghai (Executive Director)

The number of meetings held by the Nomination Committee and the attendance of individual members at such meetings in 2024 is recorded on page 56.

In the meetings, the Nomination Committee considered and approved, inter alia, the followings:

1. the review of the structure, number, composition of the Board;

2. the review of the independence of our independent non-executive Directors;

3. the rotation of the directors at the 2024 AGM; and

4. combination of the posts of Chairman and Chief Executive Officer.

B. Remuneration Committee

The purpose of the Remuneration Committee is to make recommendations to the Board on the remuneration policy and structure for all Directors and senior management remuneration.

The Group's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool.

Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance, contribution to the Group and by reference to the Group's profits and performance.

The Remuneration Committee is provided with sufficient resources, including the advice of professional firms, if necessary, to discharge its duties.

At the date of this annual report, the members of the Remuneration Committee are as follows:

Mr. Yuan Mingliang
(Independent non-executive Director)
(Committee Chairman)
Mr. Zhang Yupeng
(Independent non-executive Director)
Mr. Lo Sze Hung
(Independent non-executive Director)
Mr. Zhou Jie
(Independent non-executive Director)
Mr. Luo Guihua
(Independent non-executive Director)
Mr. Wu Qi (Independent non-executive Director)
Mr. Zhang He (Executive Director)
Mr. Zhang Yi (Executive Director)
Mr. Pan Shenghai (Executive Director)

The number of meetings held by the Remuneration Committee and the attendance of individual members at such meetings in 2024 was recorded on page 56.

In the meetings, the Remuneration Committee reviewed and approved, inter alia, the remuneration package of directors and senior management for the year.

No director was involved in deciding his own remuneration.

Details of emoluments of directors and the five highest paid individuals are set out in notes 9 and 10 to the financial statements.

The remuneration of senior management, by band, for the year ended 31 December 2024 is set out below.

Total Remuneration Bands	Number of Executives
HK$1,500,001 – HK$2,000,000	1

C. Audit Committee

The purpose of the Audit Committee is to establish formal and transparent arrangements for considering how the Board applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's external auditor.

The Audit Committee is also responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor and considering any questions of resignation or dismissal of such auditor.

The Audit Committee reports to the Board any suspected fraud and irregularities, failure of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board. It is authorised by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Audit Committee is provided with sufficient resources, including the advice of professional firms, if necessary, to discharge its duties.

At the date of this annual report, the members of the Audit Committee are as follows:

Mr. Lo Sze Hung
(Independent non-executive Director)
(Committee Chairman)
Mr. Yuan Mingliang
(Independent non-executive Director)
Mr. Zhang Yupeng
(Independent non-executive Director)
Mr. Zhou Jie
(Independent non-executive Director)
Mr. Luo Guihua
(Independent non-executive Director)
Mr. Wu Qi (Independent non-executive Director)
Mr. Huang Chuangxin
(non-executive Director)

Mr. Lo Sze Hung possess appropriate professional qualifications and experience in financial matters. None of the committee members is or was a partner of the external auditor.

The Audit Committee meets as and when required to discharge its responsibilities, and at least twice in each financial year. The number of meetings held by the Audit Committee and the attendance of individual members at Audit Committee meetings in 2024 is recorded on page 56.

In the meetings, the Audit Committee together with the senior management considered and reviewed (inter alia) the following matters:

1. the financial statements for the year ended 31 December 2023 and the six months ended 30 June 2024;

2. the Group's financial control, internal control and risk management systems;

3. the major findings on review of internal control system and the management's response;

4. the accounting principles and practices adopted by the Company, statutory compliance and other financial reporting matters;

5. the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's internal audit and financial reporting functions.

The Audit Committee reports to the Board of their findings and conclusions from the meeting referred to in the preceding paragraph.

In addition to the internal meetings, the Audit Committee members meet with the auditor at least twice a year and in addition, at least annually, to discuss matters relating to audit fees, any issues arising from the audit and any other matters they and the auditor may raise.

2. Management Functions

While the Board is responsible for formulating overall strategy to guide and monitor the performance of the Group, the management of day-to-day operation of the Group has been delegated to the management.

Important matters are reserved to the Board for its decision, which include long-term objectives and strategies, extension of the Group's activities into new business areas, appointments to the Board and the board committees, annual internal controls assessment, annual budgets, material acquisitions and disposals, material connected transactions, announcements of interim and final results and dividend proposal.

Corporate Governance Functions

The Board has the following responsibilities:

(a) to develop and review the Company's policies and practices on corporate governance; and to review the compliance with the CG Code and disclosures in the corporate governance report;

(b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(c) to review and monitor the training and continuous professional development of the directors and senior management; and

(d) to develop, review and monitor the code of conduct applicable to the directors and employees.

Constitutional Documents

During the year, the Company's bye-laws was amended and the new bye-laws was adopted by the shareholders of the Company at the special general meeting held on 13 September 2024. For details, please refer to the circular of the Company dated 22 August 2024. Consolidated version of the Company's constitutional documents is available on the websites of the Stock Exchange and the Company.

Shareholders' Rights

Procedures for shareholders to convene a special general meeting

Shareholders, holding at the date of the requisition not less than 10% of the paid-up capital of the Company carrying the right to vote at general meetings of the Company, shall at all times have the right, by written requisition to the Board or the company secretary, to require a general meeting (the "SGM") to be called by the Board for the transaction of any business specified in such requisition.

The requisitionists must state the purpose of the meeting and contact details in the requisition, sign and deposit the requisition at the principal place of business of the Company for the attention of the company secretary.

The SGM shall be held within two months from the deposit of the requisition. If the Board fails to proceed to convene the SGM within 21 days of such deposit, the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may convene the SGM by themselves in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (as amended), but any SGM so convened shall not be held after the expiration of three months from the deposit of the requisition.

Procedures for putting forward proposals at general meetings

Shareholders holding not less than 5% of the total voting rights of all shareholders having a right to vote at the general meeting or not less than 100 shareholders can submit a written request stating a resolution to be moved at the annual general meeting or a statement of not more than 1,000 words with respect to a matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The requisitionists must sign and deposit the written request or statement at the registered office of the Company and the principal place of business of the Company for the attention of the company secretary, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the company secretary will ask the Board to include the resolution in the agenda for the annual general meeting or, as the case may be, to circulate the statement for the general meeting, provided that the requisitionists have deposited a sum of money reasonably determined by the Board sufficient to meet the expenses in serving the notice of the resolution and/or circulating the statement submitted by the requisitionists in accordance with the statutory requirements to all the registered shareholders.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of company secretary or e-mail to "ir@southmn.com".

Financial Reporting

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

Management shall provide sufficient explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information presented before the Board for approval. It provides the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects to assist the Board as a whole and each Director to discharge their duties.

The Directors are responsible for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period.

A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report on pages 89 to 96.

Risk Management and Internal Controls

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining a sound and effective system of risk management and internal control and for reviewing its effectiveness, particularly in respect of the controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

The risk management and internal control systems aim to manage, instead of eliminate, risks of failure in achieving the Company's objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The managers of the internal audit department, with the support and assistance from other divisions and departments, directly report to the Audit Committee in respect of risk management and internal control matters of the Group. For daily administration purpose, the internal audit managers report to the Chief Executive Officer and Chief Financial Officer. The Audit Committee, in turn, communicates any material issues to the Board.

The Board assesses and approves our overall risk appetite, monitors our risk exposure and sets the Group-wide limits, which are reviewed on an ongoing basis. Our current assessment of our risks is based on numerous different factors, which is primarily assessed according to exposure and impact.

To the extent that any of these risks are realised, they may affect, among other matters: our current and future business and prospects, financial position, liquidity, asset values, growth potential, sustainable development (whether as to adverse health, safety, environmental, community effects or otherwise) and reputation. Through our continuous optimisation of corporate governance and proactive management, we are endeavoured to mitigate, where possible, the impacts of the risks should they materialise.

The key procedures and processes that the Board established to oversee the Company's risk management and internal control systems on an ongoing basis and to provide effective risk management and internal controls are as follows:

- A distinct organisation structure exists with defined lines of authority and control responsibilities.

- A comprehensive management accounting system is in place to provide financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose.

- Policies and procedures are designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

- Systems and procedures are also in place to identify, measure, manage, control and report risks including credit, market, operational, liquidity, interest rate, strategic, legal and reputation risks.

- An internal audit department that, amongst others, carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. The internal audit managers report to the Audit Committee of any findings revealed in the course of their daily work including material internal control defects, if any.

- The audit reports (including management letter) submitted by external auditor to the Group's management in connection with annual audit.

- A policy on handling and dissemination of inside information is in place, setting out the guiding principles, procedures and internal controls for the handling and dissemination of inside information in a timely manner.

- A whistle-blowing policy is in place, which encourages employees to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. The Company treats all information received in confidence and protects the identity and the interests of all whistle-blowers.

During the year, the Board conducted a review of the adequacy and effectiveness of the risk management and internal control systems of the Group by reviewing the work of the internal audit department, the Group's external auditor, and regular reports from management including those on risk management, regulatory compliance and legal matters.

Reference is made to the announcement of the Company dated 13 August 2024. The Board engaged an independent third party (the "Independent Investigator") to investigate the allegations against the executive Directors Mr. Zhang He and Mr. Xu Xiang and the then executive Directors Mr. Li Weijian and Mr. Li Junji (together, the "Alleged Directors"). The allegations related to certain transactions of the trading business of the Group (the "Alleged Suspicious Transactions"), including fairness of these transactions and the connected relationship between the Alleged Directors and certain suppliers of the Group (the "Alleged Connected Suppliers"). The Independent Investigator has conducted some key procedures including but not limited to performing analytics and reasonableness test for the Alleged Suspicious Transactions and reviewing the underlying documents in relation to the Alleged Suspicious Transactions. Based on the findings of the independent investigation report issued by the Independent Investigator, no evidence was found to support of the allegations of the Alleged Suspicious Transactions. Additionally, the Company engaged external legal adviser to assess whether the Alleged Connected Suppliers were connected with the Company under Chapter 14A of the Listing Rules. The external legal adviser, having considered the results from the public searches conducted by the Company and the written confirmations obtained from the Alleged Connected Suppliers, considers that each of the Alleged Connected Suppliers is not connected person of the Company under Chapter 14A of the Listing Rules and the transactions conducted with the Alleged Connected Suppliers did not constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Having taken into account the findings of the independent investigation report and the information available to the Company, the Board is of the view that the Alleged Suspicious Transactions were entered into in the ordinary and usual course of business of the Group and conducted in accordance to the then prevailing market conditions with normal commercial terms, and the transactions conducted with the Alleged Connected Suppliers did not constitute connected transactions of the Company.

The Board noted that certain internal control inadequacies were identified by the Independent Investigator, including internal control and risk management inadequacy in trading business, trading business not carried out or executed fully in accordance with stipulated internal policies and deficiencies noted in approval procedures. As disclosed in the Company's announcement dated 26 September 2023, the Company had engaged an independent internal control consultant to conduct an internal control review on the Group (including the follow-up review on the remedial measures adopted by the Group). Upon completion of the internal control review, a substantial number of the inadequacies identified can be covered and corrected. Nonetheless, the Company remains committed to strengthening its internal control system. In this connection, the Company will conduct periodic review on the internal control system and procedures across the Company and its subsidiaries to ensure compliance and continued improvement.

The Board considered the risk management and internal control systems of the Group effective and adequate and complied with the code provisions of the CG Code during the year.

Independent Auditor

The Company's independent auditor is RSM Hong Kong. For the year ended 31 December 2024, the remuneration payable by the Group to independent auditors is set out below:

Services provided by the auditor for the 31 December 2024

	HK$
Payable to Auditor	
Audit services	4,900,000
Total	4,900,000

Communications with Shareholders

We adhere to the principle of good faith and strictly comply with and implement the Listing Rules to disclose discloseable information on a true, accurate, complete and timely basis and all other information that might have significant impact on the decisions of shareholders and other stakeholders in an active and timely manner. In addition, the Company takes efforts in ensuring all shareholders have equal access to information. As such, the Company has performed its statutory obligation in respect of information disclosure.

To enhance transparency, the Company endeavours to maintain on-going dialogues with shareholders through a wide array of channels such as annual general meetings and other general meetings. Shareholders are encouraged to participate in these meetings.

Separate resolution is proposed for each substantially separate issue at a general meeting by the chairman of that meeting, including the election of director as well as re-election of director. The chairman of the Board, the chairman or member of each of the board committees and external auditor attend and answer questions at the annual general meeting. The members of the independent board committee is available to answer questions at any general meeting to approve connected transaction(s) or any other transaction(s) that is subject to independent shareholders' approval.

The Company ensures compliance with the requirements about voting by poll contained in the Listing Rules and the Bye-laws. The share registrar of the Company is normally appointed as scrutineer of the votes cast by way of a poll. In relation to votes taken by way of a poll, results are subsequently published on the websites of the Company and the Stock Exchange.

The Board has adopted a shareholders communication policy which is posted on the website of the Company. The Board has conducted annual review on the policy and considered it sufficient and effective.

The Company is committed to providing clear and reliable information on the performance of the Group to shareholders through interim and annual reports. The website of the Company offers timely and updated information of the Group.

2024 AGM

Except Mr. Li Weijian was absent due to sickness and Ms. Cui Ling was absent due to her other business commitments, all Directors together with our auditor RSM Hong Kong and our senior managements attended the 2024 AGM.

The Company has provided detailed information on the Company's 2024 AGM in a circular to shareholders which included, inter-alia, a notice of the AGM and information on the retiring Directors who were eligible for re-election at the 2024 AGM. At the 2024 AGM, the Company continued its practice of proposing separate resolutions on each substantially separate issue. Matters resolved at the 2024 AGM are set out as follows:

Matters resolved at the 2024 AGM

1. To receive and consider the audited financial statements and the report of the directors and the independent auditor's report for the year ended 31 December 2023.

2.(a) To re-elect Mr. Li Weijian as an executive director of the Company.

2.(b) To re-elect Mr. Xu Xiang as an executive director of the Company.

2.(c) To re-elect Ms. Cui Ling as a non-executive director of the Company.

2.(d) To re-elect Mr. Yuan Mingliang as an independent non-executive director of the Company.

3. To authorise the board of directors to fix the Directors' remuneration.

4. To re-appoint RSM Hong Kong as auditor of the Company and authorise the board of directors to fix the auditor's remuneration.

5A. To grant a general mandate to the Directors to issue new shares of the Company.

5B. To grant a general mandate to the Directors to repurchase shares of the Company.

5C. To increase the general mandate to be given to the Directors to issue new shares of the Company.

6. To approve and adopt the new bye-laws of the Company

All the resolutions proposed at the 2024 AGM were voted by poll, and except for item numbered 6, all were approved by the shareholders of the Company by way of ordinary resolutions. The Company has engaged its share registrar, Computershare Hong Kong Investor Services Limited to act as the scrutineer for the poll voting. The results of the poll voting were posted on the websites of the Stock Exchange and the Company on the respective dates of meetings.

2025 AGM

The Company's 2025 AGM is scheduled to be held on 6 June 2025, the notice of which will be sent to shareholders at least 21 clear business days before the meeting. The circular to shareholders for the 2025 AGM is scheduled to be despatched to the shareholders before 30 April 2025. Any changes to these dates will be published on the website of the Company and the Stock Exchange.

Investor Relations

Our senior management is dedicated to maintaining an open dialogue with the investment community to ensure thorough understanding of our Company and our business as well as strategies.

We have emphasised the importance of investor relations by establishing and developing a highly effective investor relations department (the "Investor Relations Department").

The main function of the Investor Relations Department is to make fair, consistent and transparent disclosures and maintain appropriate communications with global investors.

The Company meets with investment analysts from time to time particularly following the announcement of financial results. Management also participates in investor conferences, one-on-one meetings, forums and conference calls which enable the Company and investors to better understand each other's concerns and expectations.

The Company maintains effective two-way communications with shareholders and potential investors whose feedback is valuable to the Company in enhancing corporate governance, management and competitiveness. Comments and suggestions are welcome and can be sent to the principal place of business of the Company for the attention of the Investor Relations Department or e-mailed to ir@southmn.com.

Human Resources Report

Human Resources Report

The Group promotes a people-oriented corporate culture, provides competitive compensation and benefits for employees and continuously diversifies training and development opportunities. The Group also endeavors to achieve the growth and development of both employees and enterprises, and strives to establish the sense of responsibility and a sense of accomplishment for all of our employees in their work.

Our Employees

As of the end of December 2024, we have a total of 5,681 employees including management and administration staffs (2023: 6,670), which is mainly located in the Mainland China, representing 99.33% (2023: 99%). We have a total of 1,580 female employees, accounting for 27.8% (2023: 28.7%) of the total number of employees. 28% (2023: 29.4%) of employees are in the age below 40. Most of them are general employees. It is contemplated in the future number of years, our workforce composition will remain relatively the same.

Employees Remuneration

Compliance with external competitiveness and internal equity principle, the Group regularly reviews its remuneration plan in accordance with the employees' experience, responsibilities and performance, etc to ensure that remuneration is in line with market competitiveness. The Group is committed to providing fair market remuneration in form and value to attract, retain and motivate high quality employees. We offer free dormitory and healthy meals to employees in Gabon.

The Group operates the following retirement schemes for its employees:

(1) a "five social insurance and one housing fund" retirement pension scheme in accordance with the Retirement Policy of the Chinese Government for PRC employees;

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

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

The assets of the above schemes are held separately from those of the Group in independently administered funds. The Group's contributions as an employer is implemented in accordance with the Retirement Policy of the Chinese Government, the Pension Provisioning Law of Gabon, the Hong Kong MPF Ordinance and the Company's employee handbook.

The employees of the Group in China and Gabon are members of the state-managed retirement benefit schemes operated by the relevant governments. The Group is required to contribute certain percentage of payroll costs to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions. For employees of the Group in Hong Kong which are members of the MPF scheme, the Group contributes 5% of the relevant payroll costs, up to HK$18,000 per year for each employee to the MPF scheme, which contribution is matched by the employee. The amount charged to consolidated statement of profit or loss for the year ended 31 December 2024 which amounted to HK$77,183,000 (2023: HK$92,352,000) represents contributions payable to the plans by the Group at rates specified in the rules of the plans. At 31 December 2024, there were no forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years.

Employee Turnover

The Group attaches great importance to attracting, nurturing and retaining employees and actively promoting the corporate culture of caring for employees, building a harmonious labor relationship and enhancing staff cohesion. We develop a sound employee remuneration policy based on external competitiveness and internal equity principle to ensure the stability and healthy mobility of key employees. At the same time, we also provide a healthy and positive working environment and sound welfare for our employees. We are also committed to maintaining a balance between work and life to retain and motivate qualified employees.

Development and Training

We adhere to the people-oriented policy and attach great importance to personnel training and development, and also pay close attention to invest and add value to human capital. Based on the nature of our employees positions and based on reality, we encourage and provide diversified training and development channels to protect employees' fair and adequate training opportunities so as to continuously enhance the professional competence and performance of our staff and provide a wide range of development opportunities. We offer good platform to add value to the Group's human capital and to obtain sustainable and healthy development.

Environmental, Social and Governance Report

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. As one of the leaders in the industry, we always maintain the harmony between people and nature, demonstrate a new image of a good and responsible mining company. Now we have about 5,600 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 keeps 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 annual report. As part of the preparation for compiling this report, we undertake periodic review of the material topics that have affected and continue to affect our business, and our actions to address them. This process focuses our reporting 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 impacts 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 various 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.

Basis of preparation (continued)

A summary of our key performance indicators in the aforesaid four critical areas during the year ended 31 December 2024 is set out in the following table:

Critical Areas	Key performance indicators	2024	2023	2022
Safety Production and Labour Protection	Number of Fatalities (Note 1)	**0**	0	1
	Number of Injuries	**1**	1	2
	Number of Lost Days Caused by Injuries (Note 2)	**40**	50	217
Energy Savings and Environmental Protection	Total Electricity Consumption (MWh) (Note 3)	**1,411,353**	1,686,202	1,384,180
	(i) Electricity Intensity of EMM (kWh per tonne) (Note 4)	**6,613**	6,309	6,412
	(ii) Electricity Intensity of EMD (kWh per tonne) (Note 5)	**2,330**	1,918	1,889
	(iii) Electricity Intensity of silicomanganese alloy (kWh per tonne) (Note 6)	**4,178**	4,045	3,883
	Total Water Consumption (Tonnes) (Note 7)	**4,971,247**	5,546,555	5,425,282
	(i) Water Intensity of EMM (m^3 per tonne) (Note 8)	**2.48**	2.90	7.09
	(ii) Water Intensity of EMD (m^3 per tonne) (Note 9)	**9.09**	9.53	8.04
	(iii) Water Intensity of silicomanganese alloy (m^3 per tonne) (Note 10)	**4.81**	3.92	13.25
	Exhaust Gas Emission (Tonnes) (Note 11)	**15**	90	83
	Greenhouse Gas Emission (Tonnes) (Note 12)	**39,279**	174,664	146,507
	Waste Slag Volume (Tonnes)	**2,059,952**	2,163,208	1,323,688
	Non-hazardous Waste Produced (Tonnes) (Note 13)	**1,054,147**	886,221	1,115,266
	Total Packaging Material Used for Finished Products Number	**476,679**	1,679,693	1,642,867
Quality Operation System Establishment, Employment Training and Growth	Number of Suppliers	**1,000**	536	398
	Number of Complaint against our Products	**3**	2	1
	Number of Complaints and/or Legal Cases regarding Corrupt Practices	**0**	0	0
	Number of Employees	**5,681**	6,670	6,993
	Female Ratio (percentage)	**27.8**	28.8	29.3
Social Contribution, Living Environment and Culture Development	Donation (HKD)	**704,000**	2,539,000	2,536,000

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 (m^3) per EMM (tonne) for our EMM production by our EMM plants.

9. The figures include the average water usage (m^3) per EMD (tonne) for our EMD production by our EMD plants.

10. The figures include the average water usage (m^3) 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.

13. The figures include the tailings produced by Daxin Mine, Tiandeng Mine, Changgou Manganese Mine and Bembélé Manganese Mine during the year. Since Waifu Manganese Mine has not come into formal mining production, therefore no tailings were produced in Waifu Manganese Mine during the year.

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 year, 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:

(i) 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.

(ii) We further put in place and improve systems and plans to lay a solid foundation for safety and environmental protection management

(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;

(ii) We commenced "Safety Production Month" activities, safety knowledge trainings, safety knowledge competition and first aid rescue etc. series of activities regarding safety production; and

(iii) We organized subsidiaries to carry out education and training on work-related accident prevention and hold relevant knowledge lectures.

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 year, 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 year, 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.

We have set up monitors in mining areas, office areas, and living areas, strictly implement regular disinfection in public areas, such as canteens, offices, elevators, toilets, etc., in order to create safe and hygienic working environment for the employees.

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.

1. Safety Production and Labor Protection (continued)

Set out below is a summary of the fatalities, number of injuries, fatality rate and loss of days caused by injuries during the year:

Number of Fatalities (by Location)	2024	2023	2022
Hong Kong	**0**	0	0
Mainland China	**0**	0	1
Gabon	**0**	0	0
Total	**0**	0	1

Number of Injuries (by Location)	2024	2023	2022
Hong Kong	**0**	0	0
Mainland China	**1**	1	2
Gabon	**0**	0	0
Total	**1**	1	2

Fatality Rate (%) (by Location)	2024	2023	2022
Hong Kong	**0**	0	0
Mainland China	**0**	0	0.01
Gabon	**0**	0	0
Total	**0**	0	0.01

Number of Lost Days Caused by Injuries (by Location)	2024	2023	2022
Hong Kong	**0**	0	0
Mainland China	**40**	50	217
Gabon	**0**	0	0
Total	**0**	50	217

The number of lost days caused by injuries during the year 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.

1. Safety Production and Labor Protection (continued)

Compliance with Safety Production Rules and Regulations and Labour Standards

During the year, 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 year.

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 year, 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:

	2024	**2023**	**2022**
Electricity Consumption (MWh)	**1,411,353**	1,686,202	1,384,180
(i) Electricity Intensity of EMM (kWh per tonne)	**6,613**	6,309	6,412
(ii) Electricity Intensity of EMD (kWh per tonne)	**2,330**	1,918	1,889
(iii) Electricity Intensity of silicomanganese alloy(kWh per tonne)	**4,178**	4,045	3,883
Water Consumption (Tonnes)	**4,971,247**	5,546,555	5,425,282
(i) Water Intensity of EMM (m^3 per tonne)	**2.48**	2.90	7.09
(ii) Water Intensity of EMD (m^3 per tonne)	**9.09**	9.53	8.04
(iii) Water Intensity of silicomanganese alloy (m^3 per tonne)	**4.81**	3.92	13.25

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. The difference between the figures in 2022 and 2023 with 2021 is due to the different calculation methods. Details of our exhaust gas and greenhouse gas emissions are set out as follows:

	2024	**2023**	**2022**
Exhaust Gas			
Nitrogen oxides (NOx) (Tonnes)	**10**	65	60
Sulfur oxides (SOx) (Tonnes)	**5**	25	23
Total Amount (Tonnes)	**15**	90	83
Greenhouse Gas			
Scope 1 emissions (Tonnes)	**36,350**	161,702	134,489
Scope 2 emissions (Tonnes)	**2,929**	12,962	12,018
Total Amount (Tonnes)	**39,279**	174,664	146,507

(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.

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:

	2024	2023	2022
Waste Slags Volumes (Tonnes)	**2,059,952**	2,163,208	1,323,688

(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:

	2024	2023	2022
Tailings Production (Tonnes)	**1,054,147**	886,221	1,115,266

(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:

	2024	2023	2022
Packaging bags	**476,679**	1,679,693	1,642,867

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.

2. Energy Savings and Environmental Protection (continued)

Environmental Regulation: Compliance and Beyond (continued)

Notwithstanding that, during the year, 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 year, 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.

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 studied the government's policies on electricity and mastered the rules of electricity trading; 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	**2024**	**2023**	**2022**
Hong Kong	**1**	1	1
Mainland China	**995**	530	390
Gabon	**4**	5	7
Total	**1,000**	536	398

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.

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 year, the complaints and/or recalls we received in respect of our products are as follows:

	2024	**2023**	**2022**
Number of products related complaints and/or recalls received	**3**	2	1

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

(1) Quality Operation System Establishment (continued)

(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 year, the complaints or legal cases regarding corruption we received are as follows:

	2024	2023	2022
Number of Complaints and/or Legal Cases regarding Corrupt Practices	**0**	0	0

(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 year.

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

(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 year, effectively improving the quality of staff, and promoting development of our employees.

During the year, our major training activities and projects are as follows:

(i) "Strengthening Intellectual Property Rights Protection and Development of High-Quality Enterprises" online video training;

(ii) Special training on "Interpretation of Hot Key Points of the Newly Revised Company Law";

(iii) Organize the "South Manganese Industry Open Class – Civil Code Publicity and Legal Popularization Training";

(iv) "Comprehensive quality improvement training for MTP managers";

(v) "Panshi Project's training for lower-level managers – changing roles of lower-level managers"; and

(vi) "Legal Direct Access, Enterprise-Benefiting Action" online video training on corporate legal affairs.

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) Through "purchase instead of donation" initiatives, we addressed challenges faced by villagers in selling agricultural products, aiding rural revitalization;

(b) We assisted in upgrading drinking water pipelines in the Bai Suo village group of Renhui village, Xia Lei town, Daxin county; and

(c) Our Gabon subsidiary assisted the local Ntchéré city government in maintaining office equipment, addressing equipment shortages, and constructed new school basketball courts, donating educational supplies to students..

(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 continued to carry out student aid activities and provide student aid and scholarships to many children of employees in need;

(c) We introduced quality healthcare projects to ensure employee health; 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 a reading activity with the theme of "Book with Rose Scent"; and

(c) We regularly carry out sports activities such as volleyball, badminton, basketball, yoga, and fishing to improve the physical and mental health of our employees.

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

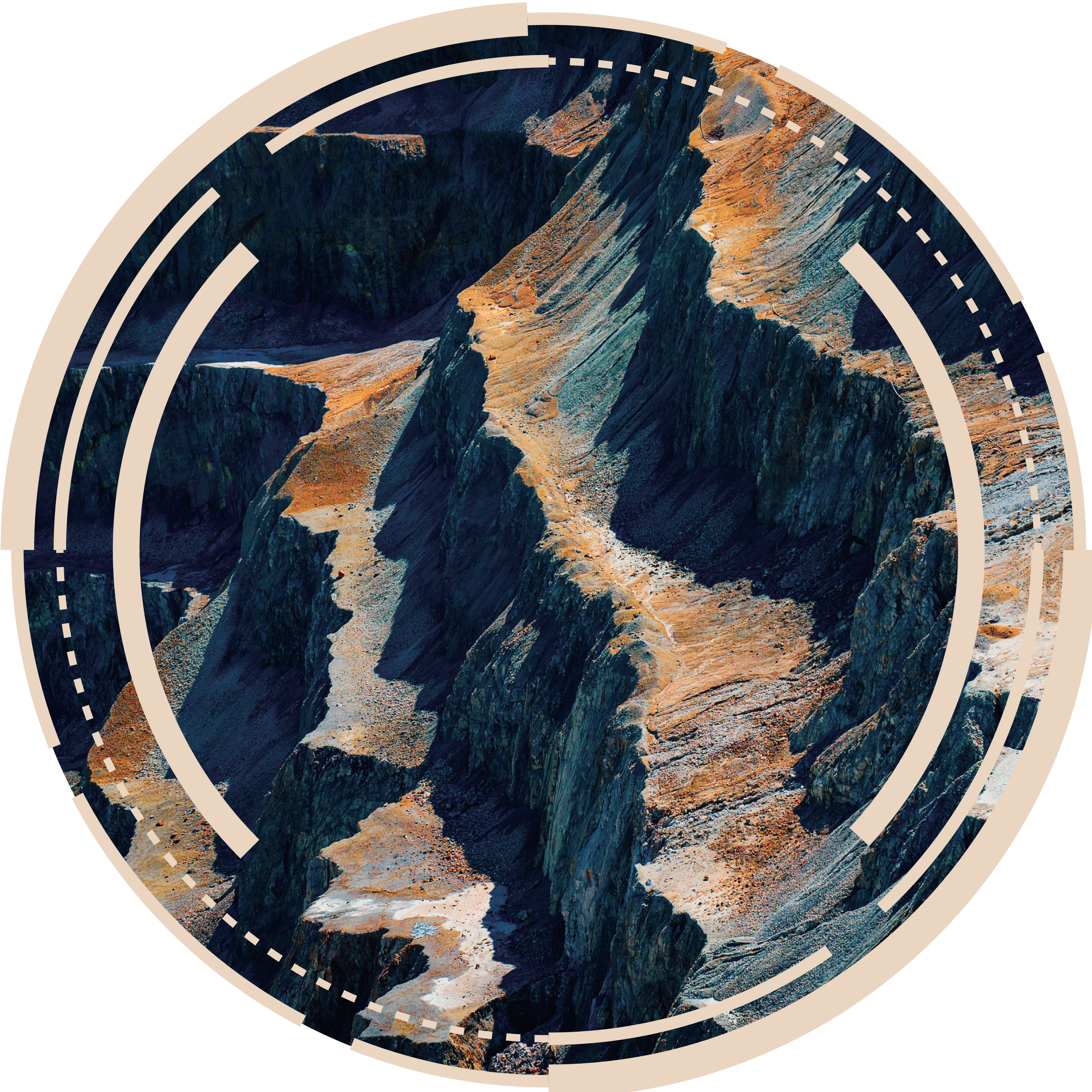
(2) In Gabon, we continued to focus on the local community development and actively participate in various social activities in Gabon.

We treasure serving our community and therefore, we spent money into the community where our businesses are situated. During the year, our cash donations to charities reached HK$704,000. Details are as follows:

	2024	**2023**	**2022**
Donation (HKD)	**704,000**	2,539,000	2,536,000

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.

Shareholding Analysis and Information for Shareholders



Shareholding Analysis and Information for Shareholders

Our Share Information and Our Shareholding Structure

As at 31 December 2024, a summary of our share information is set out below:

Our Share Information as at 31 December 2024

Authorised Share Capital	HK$1,000,000,000
Issued Share Capital	HK$342,845,900
Board Lot	1,000 shares
Market Capitalisation	HK$1,268,529,830
Number of Issued Shares	3,428,459,000
Closing Price	HK$0.370

As at 31 December 2024, a summary of our shareholding structure is set out below:

Our shareholding structure as at 31 December 2024

Size of Registered Shareholdings	Number of Shareholders	Number of Shares	Approximate % of issued Capital
0 – 1,000	1,070	1,007,892	0.03
1,001 – 5,000	968	2,545,833	0.07
5,001 – 10,000	34	256,281	0.01
10,001 – 100,000	20	405,000	0.01
100,001 – 99,999,999,999,999	3	3,424,243,994	99.88
Total	2,095	3,428,459,000	100.00

As at 31 December 2024, the Company has over 2,000 registered shareholders. The actual number of investors in the Company's shares is much greater when taking into account the people and organisations that have indirect interest in the Company's shares through intermediaries such as nominees, investment funds and the Central Clearing and Settlement System (CCASS) of Hong Kong.

The Company's largest shareholders are Youfu Investment Co., Ltd. and Guangxi Dameng which hold 29.00% and 22.64% of the Company's shares respectively. The remaining 48.36% of the Company's shares are held by a wide range of institutional or corporate investors based in North America, Europe and Asia, as well as a considerable number of retail investors, most of whom are residents in Hong Kong.

Independent Auditor's Report

RSM Hong Kong

29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

T +852 2598 5123
F +852 2598 7230

rsm.global/hongkong/assurance

羅申美會計師事務所

香港銅鑼灣
恩平道28號
利園二期29樓

電話 +852 2598 5123
傳真 +852 2598 7230

rsm.global/hongkong/assurance

To the Shareholders of South Manganese Investment Limited
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of South Manganese Investment Limited (the "Company") and its subsidiaries (the "Group") set out on pages 97 to 179, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis For Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Impairment assessment of property, plant and equipment, right-of-use assets, intangible assets and long-term prepayments

2. Impairment assessment of trade receivables, amounts due from associates, deposits and other receivables

3. Assessment of the Group's ability to continue as a going concern

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment, right-of-use assets, intangible assets and long-term prepayments	
As at 31 December 2024, net book values of property, plant and equipment ("PPE"), right-of-use assets ("ROU"), intangible assets and long-term prepayments amounted to HK$4,016 million, HK$493 million, HK$207 million and HK$99 million, respectively, and in total accounted for 54.8% of the Group's total assets. The carrying amounts of the Group's PPE, ROU, intangible assets and long-term prepayments are written down to their recoverable amounts if in excess of their estimated recoverable amounts. Management considers these assets or a group of these assets as a separate identifiable cash-generating unit ("CGU") by entity and by business line and monitors their financial performance for the existence of impairment indicators. The recoverable amount of the assets is determined by value-in-use calculations using discounted cash flow projections based on management's forecast, which involved using micro-economic assumptions such as future prices of manganese products, market demand and discount rate as well as internal assumptions related to the future production capacity and volume and operating costs etc. During the year, impairment losses of approximately HK$5,692,000 and HK$12,058,000 were recognised for PPE and ROU respectively in the consolidated statement of profit or loss in accordance with management's impairment assessment.	Our procedures included: • Understanding and evaluating the accounting policies and the processes and the internal controls related to the impairment assessment on PPE, ROU, intangible assets and long-term prepayments; • Understanding and evaluating the scope of management's impairment assessment on assets by considering the indications of impairment independently; • Assessing the reasonableness of management's identification of CGUs based on our knowledge of the business; • Assessing the methodology used by management to determine the recoverable amounts of the CGUs in management's impairment testing; • Checking, on a sample basis, the accuracy and relevance of the input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets by comparing the budgets to the historical results and the market data;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment, right-of-use assets, intangible assets and long-term prepayments (continued)	
The assessment of impairment involves significant estimation uncertainty, subjective assumptions and significant judgements by management. These estimates and judgements may be significantly affected by unanticipated changes in future market and economic conditions, therefore, we considered this as a key audit matter. Please refer to notes 3, 4, 14, 16(a), 17 and 22 to the consolidated financial statements for the accounting policies, significant accounting judgements and estimates and the relevant disclosures in the consolidated financial statements.	Our procedures included (continued): • Assessing the appropriateness of the cash flows projections used in the calculation of the recoverable amount of the CGUs, challenging the reasonableness of management's assumptions such as the future products prices, market demand, production plans and discount rate, etc. based on our knowledge of the business and industry by comparing the assumptions to historical results and published market and industry data and comparing the current year's actual results with the prior year forecast, where applicable; • Auditor's valuation expert was engaged to assist the review on the methodology of the recoverable amount calculations and discount rates; and • Assessing whether appropriate impairment related disclosures are made in the consolidated financial statements.

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>Impairment assessment of trade receivables, amounts due from associates, deposits and other receivables

As at 31 December 2024, the Group's net trade receivables, amounts due from associates, deposits and other receivables amounted to HK$578 million, HK$Nil and HK$132 million respectively. These balances in total accounted for 8.1% of the Group's total assets.

As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime expected credit losses ("ECL") of the trade receivables based on the provision matrix through the grouping of various debtors that have similar loss patterns, after considering the past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information.

In developing the loss allowance for amounts due from associates, deposits and other receivables, management assesses whether the expected credit loss rates have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECL. The expected credit loss rates are determined with consideration of the repayment history, default history, and financial condition of the associates, supplemented by external default data where applicable, adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the counterparty to settle the receivables.

We identified impairment assessment of trade receivables, amounts due from associates, deposits and other receivables as a key audit matter due to the involvement of subjective judgement and management estimates in evaluating the ECL at the end of the reporting period.

As disclosed in notes 18, 21 and 22 to the consolidated financial statements, the ECL on trade receivables, amounts due from associates, deposits and other receivables as at 31 December 2024 were amounting to HK$270 million, HK$366 million and HK$178 million, respectively.</td><td>Our procedures included:

• Understanding and evaluating management's processes and internal controls related to the assessment of ECL for trade receivables, amounts due from associates, deposits and other receivables, and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of the inherent risk factors;

• Assessing the reasonableness of management's judgement on the grouping of these assets for the ECL provision assessment on the basis of shared credit risk characteristics by testing the data input, in a sample basis, including aging profile, business nature and product type of the respective assets, if relevant;

• Examining the application of significant increase in credit risk and defaults for amounts due from associates, deposits and other receivables by checking to historical payment record and past due days of the assets as defined by the management;

• Evaluating the outcome of prior period assessment of ECL of trade receivables, amounts due from associates, deposits and other receivables to assess the effectiveness of management's estimation process;

• Challenging management's basis and judgement in determining ECL on trade receivables, amounts due from associates, deposits and other receivables with the assistance of auditor's valuation expert, including:
  • the basis of estimated loss rates applied in each category in the provision matrix; and
  • the estimation of loss rate for debtors which are assessed individually.

• Evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic condition against public available information.</td></tr>
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Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the Group's ability to continue as a going concern The Group recorded a consolidated net loss of HK$802 million for the year ended 31 December 2024 and, as at that date, the Group had net current liabilities of HK$1,659 million. Note 2.1 to the consolidated financial statement explains how the directors of the Company have formed a judgement that the going concern basis is appropriate in preparing the consolidated financial statements of the Group. The directors of the Company made their assessment of the Group's ability to continue as a going concern by preparing a cash flow forecast in which certain key assumptions were applied. These key assumptions included forecasts of sales volumes, average selling prices, raw material costs and the availability of bank loans and other financing facilities. Based on this assessment, the directors concluded that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. We identified the assessment of the Group's ability to continue as a going concern as a key audit matter because a significant degree of management judgement is involved in making this assessment and in forecasting the future cash flows of the Group which are inherently uncertain.	Our procedures included: • Assessing and challenging the key assumptions in management's cash flow forecast, including sales volumes, average selling price, raw material costs and capital expenditure for manganese production, by comparing them to historical production data, market trends for manganese prices and operational plans, ensuring their reasonableness and achievability; • Comparing the prior year's cash flow forecast prepared in the prior year with the Group's 2024 performance to evaluate forecasting accuracy, and inquiring with management as to the reasons for any significant variations identified; • Reviewing management's sensitivity analyses on key assumptions adopted in the cash flow forecast and assessing their impact on the conclusions of the going concern assessment; • Inspecting relevant underlying documentation for post-year-end new and renewed bank borrowings; assessing forecasted renewals against the Group's historical renewal success; evaluating the availability of undrawn banking facilities to determine whether the financing facilities were sufficient to meet the Group's needs in the context of the cash flow forecast, taking into the account any breach of loan covenants which may trigger early repayment of loans; • Evaluating the availability of unpledged assets (e.g., leasehold land, investment properties, property, plant and equipment, and mining rights) for collateral potential to secure additional financing; comparing asset values with management estimates and market comparables, where applicable; • Obtaining financial information after the reporting period and, assessing for any post-year-end deterioration in performance or adverse events that could impact going concern assumptions; and • Assessing the related disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Tak Man, Stephen.

RSM Hong Kong
Certified Public Accountants

14 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
REVENUE	6	**13,210,519**	17,133,960
Cost of sales		**(12,804,154)**	(16,199,813)
Gross profit		**406,365**	934,147
Other income and gains	6	**144,192**	232,671
Selling and distribution expenses		**(132,953)**	(135,504)
Administrative expenses		**(523,905)**	(644,767)
Impairment losses on non-financial assets	8	**(17,750)**	–
Impairment losses on financial assets, net	8	**(353,540)**	(8,931)
Finance costs	7	**(144,826)**	(243,156)
Other expenses, net		**(124,598)**	(19,723)
Share of profits and losses of associates	8	**(10,058)**	(4,807)
(LOSS)/PROFIT BEFORE TAX	8	**(757,073)**	109,930
Income tax expense	11	**(44,893)**	(37,544)
(LOSS)/PROFIT FOR THE YEAR		**(801,966)**	72,386
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
– Changes in fair value of financial assets at fair value through other comprehensive income ("FVTOCI"), net of tax		**539**	1,154
– Exchange differences on translation of foreign operations		**(49,748)**	(77,464)
		(49,209)	(76,310)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(851,175)**	(3,924)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(725,070)**	64,144
Non-controlling interests		**(76,896)**	8,242
		(801,966)	72,386
Total comprehensive income for the year attributable to:			
Owners of the Company		**(789,511)**	(23,145)
Non-controlling interests		**(61,664)**	19,221
		(851,175)	(3,924)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic		**HK$(0.2115)**	HK$0.0187
Diluted		**HK$(0.2115)**	HK$0.0187

Consolidated Statement of Financial Position

31 December 2024

	Note	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**4,015,985**	4,007,729
Investment properties	15	**92,758**	99,208
Right-of-use assets	16(a)	**493,385**	490,541
Intangible assets	17	**206,907**	214,033
Investments in associates	18	**99,403**	109,713
Deferred tax assets	19	**40,962**	11,908
Prepayments and other assets	22	**114,174**	92,457
Total non-current assets		**5,063,574**	5,025,589
CURRENT ASSETS			
Inventories	20	**1,000,707**	1,681,920
Trade and notes receivables	21	**947,166**	1,532,329
Prepayments, other receivables and other assets	22	**1,062,130**	1,832,353
Due from related companies	34	**–**	2,130
Tax recoverable		**441**	451
Restricted deposits	23	**27,835**	26,494
Pledged deposits	23	**282,421**	289,175
Cash and cash equivalents	23	**402,329**	975,579
Total current assets		**3,723,029**	6,340,431
CURRENT LIABILITIES			
Trade and notes payables	24	**1,207,900**	1,448,874
Other payables and accruals	25	**1,213,223**	1,537,702
Interest-bearing bank and other borrowings	26	**2,910,076**	4,162,856
Due to related companies	34	**5,152**	1,062
Tax payables		**46,069**	81,200
Total current liabilities		**5,382,420**	7,231,694
NET CURRENT LIABILITIES		**(1,659,391)**	(891,263)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,404,183**	4,134,326
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**1,035,504**	957,761
Deferred tax liabilities	19	**221,583**	198,842
Other long-term liabilities	27	**127,042**	104,325
Deferred income	28	**42,867**	45,036
Total non-current liabilities		**1,426,996**	1,305,964
NET ASSETS		**1,977,187**	2,828,362

	Note	2024 HK$'000	2023 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**342,846**	342,846
Reserves	30	**2,018,764**	2,799,304
		2,361,610	3,142,150
Non-controlling interests		**(384,423)**	(313,788)
TOTAL EQUITY		**1,977,187**	2,828,362

Zhang Yi
Director

Zhang He
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Attributable to owners of the Company										
	Issued share HK$'000	Contributed surplus HK$'000	Fair value reserve of financial assets at FVTOCI HK$'000	Reserve funds HK$'000 (notes 30(a), 30(b))	Exchange fluctuation reserve HK$'000	Capital redemption reserve HK$'000	Investment related reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2024	342,846	2,461,249	(1,130)	283,843	(154,990)	312	2,051	207,969	3,142,150	(313,788)	2,828,362
Loss for the year	-	-	-	-	-	-	-	(725,070)	(725,070)	(76,896)	(801,966)
Other comprehensive income for the year:											
– Changes in fair value reserve of financial assets at FVTOCI, net of tax	-	-	539	-	-	-	-	-	539	-	539
– Exchange differences on translation of foreign operations	-	-	-	-	(64,980)	-	-	-	(64,980)	15,232	(49,748)
Total comprehensive income for the year	-	-	539	-	(64,980)	-	-	(725,070)	(789,511)	(61,664)	(851,175)
Provision for special reserve	-	-	-	31,861	-	-	-	(31,861)	-	-	-
Utilisation for special reserve	-	-	-	(20,055)	-	-	-	20,055	-	-	-
Transfer	-	-	-	18,309	-	-	-	(9,338)	8,971	(8,971)	-
Change in equity for the year	-	-	539	30,115	(64,980)	-	-	(746,214)	(780,540)	(70,635)	(851,175)
At 31 December 2024	342,846	2,461,249*	(591)*	313,958*	(219,970)*	312*	2,051*	(538,245)*	2,361,610	(384,423)	1,977,187

	Attributable to owners of the Company										
	Issued share HK$'000	Contributed surplus HK$'000	Fair value reserve of financial assets at FVTOCI HK$'000	Reserve funds HK$'000 (notes 30(a), 30(b))	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 1 January 2023	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 for the year	–	–	–	–	–	–	–	64,144	64,144	8,242	72,386
Other comprehensive income for the year:											
– Changes in fair value reserve of financial assets at FVTOCI, net of tax	–	–	1,154	–	–	–	–	–	1,154	–	1,154
– Exchange differences on translation of foreign operations	–	–	–	–	(88,443)	–	–	–	(88,443)	10,979	(77,464)
Total comprehensive income for the year	–	–	1,154	–	(88,443)	–	–	64,144	(23,145)	19,221	(3,924)
Provision for special reserve	–	–	–	67,640	–	–	–	(67,640)	–	–	–
Utilisation for special reserve	–	–	–	(57,979)	–	–	–	57,979	–	–	–
Transfer	–	–	–	(5,678)	–	–	–	2,895	(2,783)	2,783	–
Change in equity for the year	–	–	1,154	3,983	(88,443)	–	–	57,378	(25,928)	22,004	(3,924)
At 31 December 2023	342,846	2,461,249*	(1,130)*	283,843*	(154,990)*	312*	2,051*	207,969*	3,142,150	(313,788)	2,828,362

* These reserve accounts comprise the consolidated reserves of HK$2,018,764,000 (2023: HK$2,799,304,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(757,073)**	109,930
Adjustments for:			
Finance costs	7	**144,826**	243,156
Bank and other interest income	6	**(6,976)**	(23,703)
Losses/(gains) on disposal of items of property, plant and equipment	8	**9,463**	(2,004)
Amortisation of deferred income	28	**(9,188)**	(19,148)
Fair value losses on investment properties	8	**4,393**	2,328
Depreciation of property, plant and equipment	8	**396,065**	410,541
Depreciation of right-of-use assets	8	**35,469**	36,037
Amortisation of intangible assets	8	**1,470**	4,192
Provision for inventories, net	8	**34,376**	3,939
Impairment of trade receivables, net	8	**5,238**	8,134
Impairment of financial assets included in prepayments, other receivables and other assets	8	**27,304**	797
Impairment of amounts due from associates	8	**320,998**	–
Impairment losses on non-financial assets	8	**17,750**	–
Share of profits and losses of associates	8	**10,058**	4,807
Provisions for rehabilitation	27	**3,174**	–
Operating profit before working capital changes		**237,347**	779,006
Decrease in inventories		**627,857**	129,182
Decrease/(increase) in trade and notes receivables		**557,430**	(89,933)
Decrease/(increase) in prepayments, other receivables and other assets		**690,621**	(443,388)
Decrease/(increase) in amounts due from related companies		**2,084**	(2,143)
Increase in restricted deposits		**(1,908)**	(26,658)
Decrease in trade and notes payables		**(218,250)**	(656,449)
(Decrease)/increase in other payables and accruals		**(218,179)**	44,470
Increase /(decrease) in amounts due to related companies		**4,113**	(6,302)
Cash generated from/(used in) operations		**1,681,115**	(272,215)
Income tax paid		**(83,341)**	(47,605)
Net cash generated from/(used in) operating activities		**1,597,774**	(319,820)

	Note	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**6,907**	21,128
Receipt of government grants for property, plant and equipment	28	**7,963**	1,021
Purchases of items of property, plant and equipment		**(531,466)**	(530,028)
Proceeds from disposal of items of property, plant and equipment		**28,243**	50,695
Payments for right-of-use assets		**(59,092)**	(8,978)
Purchases of intangible assets	17	**(111)**	(2,123)
Settlement of corporate guarantee liability for an associate	32	**(320,998)**	–
Investment in associates		**–**	(30,533)
Net cash used in investing activities		**(868,554)**	(498,818)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in pledged deposits	35(a)	**570**	132,184
Proceeds from sales and leaseback arrangements		**438,520**	–
Principal portion of lease payments		**(234,247)**	(162,515)
Drawdown of bank and other borrowings		**3,068,788**	4,769,002
Repayment of bank and other borrowings		**(4,358,688)**	(3,842,678)
Interest paid	35(a)	**(183,871)**	(222,466)
Lease liabilities interest paid		**(20,949)**	(18,437)
Net cash (used in)/generated from financing activities		**(1,289,877)**	655,090
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(560,657)**	(163,548)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**975,579**	1,175,489
Effect of foreign exchange rate changes, net		**(12,593)**	(36,362)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**402,329**	975,579
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**712,585**	1,291,248
Less: Restricted deposits	23	**(27,835)**	(26,494)
Less: Pledged deposits	23	**(282,421)**	(289,175)
Cash and cash equivalents		**402,329**	975,579

Notes to Financial Statements

31 December 2024

1. Corporate and Group information

The Company was incorporated in Bermuda on 18 July 2005 as an exempted company with limited liability under Section 14 of the Companies Act 1981 of Bermuda (as amended). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 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 of Hong Kong Limited (the "Stock Exchange").

The trading in the shares of the Company has been suspended since 30 March 2023. With effect from 5 February 2024, the trading in the shares of Company has been resumed on the Main Board of the Stock Exchange as all the resumption guidance has been fulfilled. Detail of the resumption guidance and resumption of trading in the shares are set out on the Company's announcement dated 2 February 2024.

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 operations in Gabon, as well as the trading of manganese ores, manganese alloys and related raw materials.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are set out below:

Name of company	Place and date of incorporation/ establishment	Issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company		Principal activities/ place of operation
			Direct	Indirect	
South Manganese Holdings Limited	British Virgin Islands ("BVI") 18 May 2005	US$1	100.00	–	Investment holding and trading of manganese ore/Hong Kong
Dameng International Resources Limited	Hong Kong 28 October 2005	HK$10,000	–	51.00	Trading of manganese ore/Hong Kong
Huazhou Mining Investment Limited ("Huazhou BVI") (華州礦業投資有限公司)	BVI 6 July 2007	US$5,820,000	–	60.00	Investment holding/ Hong Kong
Companie Industrielle et Commerciale des Mines de Huazhou (Gabon) ("CICMHZ")	Gabon 24 August 2005	XAF1,000 million	–	51.00	Mining and sale of manganese ore/Gabon
South Manganese Group Limited ("South Manganese Group") (南方錳業集團有限責任公司)^#	People's Republic of China ("PRC") 19 August 2005	RMB1,539,710,100	–	100.00	Mining, processing and sale of manganese related products/PRC
Guangxi Start Manganese Materials Co., Ltd. ("Guangxi Start") (廣西斯達特錳材料有限公司)^	PRC 18 April 2001	RMB24,280,000	–	71.17	Processing and sale of manganese related products/PRC
Qinzhou Dameng New Materials Co., Ltd. ("Qinzhou New Materials") (欽州大錳新材料有限公司)^	PRC 26 November 2003	RMB30,000,000	–	70.00	Manufacture and sale of manganese related products/PRC
Dameng Investment Co., Ltd. (大錳投資有限責任公司)^	PRC 1 February 2008	RMB200,000,000	–	100.00	Investment holding, sale of manganese related products and trading of metals/PRC

1. Corporate and Group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of company	Place and date of incorporation/ establishment	Issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company		Principal activities/ place of operation
			Direct	Indirect	
Guizhou Zunyi Huixing Ferroalloy Co., Ltd. (貴州遵義匯興鐵合金有限責任公司)^	PRC 20 December 2007	RMB500,000,000	–	64.00	Mining, processing and sale of manganese related products/PRC
Zunyi Huixing Changgou Manganese Mine Co., Ltd. ("Changgou Manganese") (遵義匯興長溝錳礦有限公司)^	PRC 18 May 2020	RMB50,000,000	–	64.00	Mining, processing and sale of manganese related products/PRC
Daxin Dameng Manganese Limited Company ("Daxin Manganese") (大新大錳錳業有限公司)^	PRC 8 October 2004	RMB11,800,000	–	100.00	Mining, processing and sale of manganese related products/PRC
Daxin Guinan Chemical Co., Ltd. ("Guinan Huagong") (大新桂南化工有限責任公司)^	PRC 22 June 2005	RMB30,307,059	–	90.10	Production of sulphuric acid and steam/PRC
Qinzhou Dameng Manganese Co., Ltd. ("Qinzhou Dameng") (欽州大錳錳業有限責任公司)^	PRC 16 December 2014	RMB110,000,000	–	100.00	Manufacture and sale of manganese related products/PRC
Shenzhen Blue Ocean Strategy Trading Co., Ltd. ("Blue Ocean Strategy") (深圳藍海策略貿易有限公司)^#	PRC 17 May 2016	RMB100,000,000	–	100.00	Trading of manganese ore, manganese alloy and related raw materials/PRC
Guangxi Huiyuan Manganese Industry Co., Ltd. ("Huiyuan Manganese") (廣西匯元錳業有限責任公司)^	PRC 14 October 2003	RMB300,000,000	–	100.00	Manufacture and sale of EMD/PRC
Guangxi Daxin Huiyuan New Energy Technology Co., Ltd. ("Huiyuan New Energy") (廣西大新匯元新能源科技有限責任公司)^	PRC 30 September 2021	RMB92,971,890	–	100.00	Manufacture and sale of battery and related raw materials/PRC
South Manganese Group (Shanghai) International Trading Co., Ltd. ("South Manganese Shanghai") (南方錳業集團(上海)國際貿易有限公司)^	PRC 22 July 2021	RMB90,000,000	–	70.00	Trading of manganese ore, manganese alloy and related raw materials/PRC
Guangxi South Manganese International New Energy Technology Co., Ltd. ("International New Energy") (廣西南錳國際新能源科技有限責任公司)	PRC 8 October 2023	RMB20,000,000	–	100.00	Manufacture and sale of manganese related products/PRC

The English names of the Company's PRC subsidiaries represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the Group for the reporting period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Foreign investment enterprises incorporated under the Law of the PRC on Sino-foreign Equity Joint Ventures

^ Limited liability/limited partnership companies under the Company Law of the PRC

2.1 Basis of preparation

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

During the year ended 31 December 2024, the Group recorded a consolidated net loss of HK$801,966,000 (2023: profit of HK$72,386,000) and generated net cash inflows from operating activities of HK$1,597,774,000 (2023: outflows of HK$319,820,000). As at 31 December 2024, the Group had net current liabilities of HK$1,659,391,000 (2023: HK$891,263,000).

The directors of the Company have carefully considered the Group's future liquidity, operational performance, and available sources of finance in assessing whether the Group has sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows and sustain its operations as a going concern, the Group has implemented or is in the process of implementing the following measures:

(a) The Group continues to restructure the mix of manganese products processing, aiming to increase the proportion of high-margin products to achieve profitable operations and positive cash flows. Specifically, the Group is ramping up the mining and processing capacity of existing mines. Additionally, in response to the recent trend of commodity prices for manganese ore and non-manganese metals and the declining operating results of the Group's trading businesses in 2024, the Group is gradually adjusting the sales strategies of its trading operations in 2025.

(b) The Group is implementing measures to tighten cost controls over administrative and other operating expenses, with the objective of improving its working capital and cash flow position, including closely monitoring daily operating expenditures.

(c) The Group is actively following up with debtors to accelerate the collection of outstanding receivables.

(d) The net loss for the year includes significant non-cash items, such as an impairment loss of HK$320,998,000 on an amount due from an associate, which is considered one-off in nature. Consequently, the impact of this impairment on future cash flows is expected to be minimal.

(e) Contract liabilities of HK$367,036,000 represent non-financial liabilities that do not require immediate cash outflows and will be recognised as revenue in the subsequent year upon fulfilment of performance obligations.

(f) The Group maintains strong, long-term relationship with its core banks, which provide continued support. To manage upcoming debt maturities, management is actively engaged in refinancing negotiations for borrowings due in the year ending 31 December 2025. Between 1 January 2025 and the date of authorisation of these financial statements, the Group has successfully renewed existing borrowings and obtained new bank borrowings totalling HK$323,970,000. Together with the availability of unutilised bank facilities, which are subject to final bank approval upon drawdown, the directors are of the opinion that the Group will be able to renew existing or secure new banking facilities, ensuing sufficient liquidity to support its operations throughout the year ending 31 December 2025.

2.1 Basis of preparation (continued)

(g) Certain existing high-value assets, including leasehold land, investment properties, property, plant and equipment, and mining rights, can be offered as security for further financing, if necessary.

(h) The directors of the Company have prepared a cash flow forecast for the Group, which covers a period of twelve months from the end of the reporting period. The forecast indicates that the Group is able to generate sufficient operating cash inflows to meet its current and future obligations.

(i) The Group is actively exploring alternative financing options, including equity issuance and other forms of financing, to strengthen its financial position and reduce reliance on short-term borrowings.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to sustain its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2024 on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

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

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

2.2 Changes in accounting policies and disclosures

The Group has applied the following amendments to HKFRSs and interpretation issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 ("HK Int 5") (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Adoption of Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (collectively the "HKAS 1 Amendments")

As a result of the adoption of the HKAS 1 Amendments, the Group changed its accounting policy for the classification of borrowings as below:

"Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification."

This new policy did not result in a change in the classification of the Group's borrowings. The Group did not make retrospective adjustments as a result of adopting HKAS 1 Amendments.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The following new standards and amendments to standards have been published but are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 – Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 – Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HK Int 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

3. Material accounting policy information

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investment in an associate is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Material accounting policy information (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition-date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. Material accounting policy information (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and financial assets at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. Material accounting policy information (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, tax recoverable, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. Material accounting policy information (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Other than mining structures and exploration and evaluation assets, depreciation is calculated on straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3%-20%
Motor vehicles, plant, machinery, tools and equipment	10%-20%
Furniture and fixtures	10%-20%
Leasehold improvements	10%-20% or over the unexpired lease terms, whichever is shorter

Mining structures mainly comprise the open-pit quarries, auxiliary mine shafts and underground tunnels. Depreciation of mining structures is provided to write off the cost of the mining structures using the unit-of-production ("UOP") method based on reserves estimated to be recovered from existing facilities.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3. Material accounting policy information (continued)

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less any impairment losses. Exploration and evaluation assets include costs that are directly attributable to conducting topographical and geological surveys, exploratory drilling, sampling and trenching, and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Exploration expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. When the technical feasibility and commercial viability of extracting the ore are demonstrable, exploration and evaluation assets are amortised using the UOP method.

If any project is abandoned during the evaluation stage, the total expenditures thereon are written off when the event occurs. If an indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use assets which would otherwise meet the definition of an investment property) held to earn rental income and for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven and probable reserves of the mines using the UOP method.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

3. Material accounting policy information (continued)

Intangible assets (other than goodwill) (continued)

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Offices	2 to 4 years
Leasehold land	10 to 69 years
Motor vehicles, plant and machinery, tools and equipment	4 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3. Material accounting policy information (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

3. Material accounting policy information (continued)

Leases (continued)

Sale and leaseback transaction

The Group applies the requirement of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sales by the Group.

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as other borrowings within the scope of HKFRS 9.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI, and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are recognised at the transaction price, that is unconditional, determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3. Material accounting policy information (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVTOCI (debt instruments)

For debt investments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss and other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. Material accounting policy information (continued)

Impairment of financial assets

The measurement of expected credit losses ("ECL") is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The Group recognises an allowance for ECL for all debt instruments not held at FVTPL. ECL are estimated on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at FVTOCI, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at FVTOCI and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECL except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECL

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECL

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECL

3. Material accounting policy information (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECL. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

At initial recognition, financial liabilities are classified as loans and borrowings or payables and are recognised at fair value, net of directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and amounts due to related companies.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings or payables)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Interest-bearing loans and borrowings are classified as current liabilities unless, at the end of reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL based on the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

3. Material accounting policy information (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials is determined on the first-in, first-out basis and work in progress and finished goods on a weighted average basis. In the case of work in progress and finished goods, cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Inventories of auxiliary materials, spare parts, fuels and small tools which are consumed in the process of mining operations are stated at the lower of cost and net realisable value, if necessary, for obsolescence.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Cash and cash equivalents are assessed for ECL.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

3. Material accounting policy information (continued)

Provisions (continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for the Group's obligations for land reclamation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligations. The Group records a corresponding asset in the period in which the liability is incurred. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligations and the asset are recognised using the appropriate discount rates.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

3. Material accounting policy information (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised and a deferred tax liability for all taxable temporary differences.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss and other comprehensive income over the expected useful lives of the relevant assets by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

3. Material accounting policy information (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

3. Material accounting policy information (continued)

Other employee benefits (continued)

Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

For long service payment ("LSP") obligation, the Group accounts for the employer mandatory provident fund ("MPF") contributions expected to be offsetted as a deemed employee contribution towards the LSP obligation in term of HKAS 19 paragraph 93(a) and it is measured on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. Material accounting policy information (continued)

Foreign currencies (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the factors considered by the directors as detailed in note 2.1 to the financial statements.

4. Significant accounting judgements and estimates (continued)

Judgements (continued)

Significant increase in credit risk

As explained in note 3 to the financial statements, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Equity pickup of entity of less than 20% equity interest

Although the Group holds less than 20% of the equity interest of Qingdao Manganese Investment Cooperative Enterprise (Limited Partnership) ("Qingdao Manganese"), the directors considered that the Group has significant influence over Qingdao Manganese because the Group obtained a seat on its management committee.

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses practical expedient in estimating ECL on trade receivables using a provisional matrix. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in note 21 to the financial statements.

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on amounts due from associates

The Group applies a three-stage impairment model in developing the expected credit loss allowance for the amounts due from associates. The measurement requires the estimation of the amount and timing of future cash flows and collateral values, and assessment of a significant increase in credit risk since their initial recognition. The Group uses judgement in making these parameters and selecting the inputs to the impairment calculations, based on repayment history, default history and financial condition of the associates, existing market conditions as well as forward-looking estimates at the end of each reporting period. It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

At 31 December 2024, the carrying amount of the Group's amounts due from associates was HK$Nil (net of impairment allowance of HK$365,571,000) (2023: HK$Nil (net of impairment allowance of HK$54,773,000)). The information about the ECL on the Group's amounts due from associates is disclosed in note 18(b) and 18(c) to the financial statements.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) reference to independent valuation;

(b) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(c) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The carrying amount of investment properties at 31 December 2024 was HK$92,758,000 (2023: HK$99,208,000). Further details, including the key assumptions used for fair value measurement, are given in note 15 to the financial statements.

Mineral reserves

Engineering estimates of the Group's mineral resources are inherently imprecise and represent only approximate amounts because of the assumptions involved in developing such information.

There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proven" and "probable". Proven and probable mineral reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost level change from year to year, the estimate of proven and probable mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation/amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation/amortisation expenses and impairment losses. Depreciation/amortisation rates of the mining structures and mining rights are determined based on the proven and probable mineral reserve quantity (the denominator) and the mining quantities (the numerator). As at 31 December 2024, the carrying amount of mining right was HK$200,832,000 (2023: HK$205,586,000). Further details are given in note 17 to the financial statements.

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provisions for rehabilitation

The provisions for rehabilitation costs have been determined by the directors based on their best estimates. The directors estimated this liability for final restoration and mine closure based upon detailed calculations of the amount and timing of future cash flows to be incurred in performing the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. However, in so far as the effect on the land and environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The provision is reviewed at least annually to verify that it properly reflects the present value of the obligation arising from the current and past mining activities. As at 31 December 2024, provision for mine rehabilitation cost was at carrying amount of HK$69,991,000 (2023: HK$55,947,000). Further details are included in note 27 to the financial statements.

Useful lives of property, plant and equipment

In determining the useful lives of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Useful lives are reviewed, at each financial year end date, based on changes in circumstances.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 14, 16, 17 and 22 to the financial statements.

Deferred tax assets

As at 31 December 2024, a deferred tax asset of HK$32,720,000 (2023: HK$14,778,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK$2,142,195,000 (2023: HK$1,326,533,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on how the manganese markets may progress and evolve. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

5. 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, lithium nickel cobalt manganese oxide and trimanganese tetraoxide; and

(d) Other business segment (PRC and HK)

The other business segment comprises, principally, the trading of various commodities such as manganese ores, EMM, manganese alloys and non-manganese metals, sales of scraps and rental of investment properties and leasehold land and investments in companies engaged in the mining and production of non-manganese metals and trading business.

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 from operations. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, restricted deposits, 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 bank loans, lease liabilities under sales and leaseback arrangements, deferred tax liabilities, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

5. Operating segment information (continued)

	Manganese mining PRC HK$'000	Manganese mining Gabon HK$'000	EMM and alloying materials production PRC HK$'000	Battery materials production PRC HK$'000	Other business PRC and HK HK$'000	Total HK$'000
Year ended 31 December 2024						
Segment revenue (note 6)						
Sales to external customers	144,497	1,030,761	2,162,924	1,508,556	8,363,781	13,210,519
Intersegment sales	–	274,078	–	–	–	274,078
Other revenue	3,341	41,252	60,090	27,331	5,202	137,216
	147,838	1,346,091	2,223,014	1,535,887	8,368,983	13,621,813
Reconciliation:						
Elimination of intersegment sales						(274,078)
Revenue from operations						13,347,735
Segment results	13,320	157,827	(393,691)	386,506	(669,185)	(505,223)
Reconciliation:						
Interest income						6,976
Corporate and other unallocated expenses						(134,949)
Finance costs (other than interest on lease liabilities)						(123,877)
Loss before tax						(757,073)
Income tax expense						(44,893)
Loss for the year						(801,966)
Assets and liabilities						
Segment assets	591,941	561,404	2,724,598	2,276,836	1,470,937	7,625,716
Reconciliation:						
Corporate and other unallocated assets						1,160,887
Total assets						8,786,603
Segment liabilities	389,741	420,146	668,233	334,611	719,971	2,532,702
Reconciliation:						
Corporate and other unallocated liabilities						4,276,714
Total liabilities						6,809,416
Other segment information:						
Depreciation and amortisation	12,079	37,115	223,937	137,646	5,781	416,558
Unallocated depreciation and amortisation						16,446
Total depreciation and amortisation						433,004
Capital expenditure#	73,891	28,194	228,383	210,499	1,511	542,478
Unallocated capital expenditure						51,454
Total capital expenditure						593,932
Impairment losses recognised/(reversed) in profit or loss	(13)	7,616	345,451	(4,841)	23,077	371,290
Losses on disposal of items of property, plant and equipment	434	–	6,879	1,240	910	9,463
Investments in associates	–	–	–	–	99,403	99,403
Share of losses of associates	–	–	–	–	(10,058)	(10,058)

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

5. Operating segment information (continued)

	Manganese mining PRC HK$'000	Manganese mining Gabon HK$'000	EMM and alloying materials production PRC HK$'000	Battery materials production PRC HK$'000	Other business PRC and HK HK$'000	Total HK$'000
Year ended 31 December 2023						
Segment revenue (note 6)						
Sales to external customers	131,203	1,182,462	2,754,029	1,718,223	11,348,043	17,133,960
Intersegment sales	–	335,259	–	–	–	335,259
Other revenue	28,828	38,317	60,766	43,089	37,968	208,968
	160,031	1,556,038	2,814,795	1,761,312	11,386,011	17,678,187
Reconciliation:						
Elimination of intersegment sales						(335,259)
Revenue from operations						17,342,928
Segment results	13,888	146,106	45,758	334,249	(78,736)	461,265
Reconciliation:						
Interest income						23,703
Corporate and other unallocated expenses						(150,319)
Finance costs (other than interest on lease liabilities)						(224,719)
Profit before tax						109,930
Income tax expense						(37,544)
Profit for the year						72,386
Assets and liabilities						
Segment assets	650,428	591,352	3,347,640	2,318,819	2,775,665	9,683,904
Reconciliation:						
Corporate and other unallocated assets						1,682,116
Total assets						11,366,020
Segment liabilities	433,424	418,113	853,945	336,920	866,614	2,909,016
Reconciliation:						
Corporate and other unallocated liabilities						5,628,642
Total liabilities						8,537,658
Other segment information:						
Depreciation and amortisation	9,315	26,514	275,619	125,835	1,432	438,715
Unallocated depreciation and amortisation						12,055
Total depreciation and amortisation						450,770
Capital expenditure#	12,751	31,978	285,633	195,315	6,360	532,037
Unallocated capital expenditure						27,024
Total capital expenditure						559,061
Impairment losses recognised in profit or loss	506	–	1,068	5,839	1,518	8,931
Gains/(losses) on disposal of items of property, plant and equipment	(355)	–	6,781	(4,362)	(60)	2,004
Investments in associates	–	–	–	–	109,713	109,713
Share of losses of associates	–	–	–	–	(4,807)	(4,807)

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

5. Operating segment information (continued)

Geographical information

(a) Revenue from external customers

	2024 HK$'000	2023 HK$'000
Mainland China	**12,523,377**	16,581,604
Asia (excluding Mainland China)	**644,141**	462,770
Europe	**37,337**	23,100
North America	**5,664**	66,486
	13,210,519	17,133,960

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

(b) Non-current assets

	2024 HK$'000	2023 HK$'000
Mainland China	**4,906,644**	4,904,365
Africa	**100,414**	109,316
	5,007,058	5,013,681

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

Information about a major customer

The turnover from the Group's largest customer accounted for less than 10% of the Group's total turnover.

6. Revenue, other income and gains

An analysis of revenue is as follows:

	2024 HK$'000	2023 HK$'000
Revenue from contracts with customers	**13,210,519**	17,133,960

6. Revenue, other income and gains (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2024

Segments

	Manganese mining HK$'000	EMM and alloying materials production HK$'000	Battery materials production HK$'000	Other business HK$'000	Total HK$'000
Sale of goods	**1,175,258**	**2,162,924**	**1,508,556**	**8,363,781**	**13,210,519**
Geographical markets					
Mainland China	**631,486**	**2,044,471**	**1,499,622**	**8,347,798**	**12,523,377**
Asia (excluding Mainland China)	**543,772**	**81,073**	**8,699**	**10,597**	**644,141**
Europe	**–**	**31,716**	**235**	**5,386**	**37,337**
North America	**–**	**5,664**	**–**	**–**	**5,664**
Total revenue from contracts with customers	**1,175,258**	**2,162,924**	**1,508,556**	**8,363,781**	**13,210,519**
Timing of revenue recognition					
Goods transferred at a point in time with customers	**1,175,258**	**2,162,924**	**1,508,556**	**8,363,781**	**13,210,519**

For the year ended 31 December 2023

Segments

	Manganese mining HK$'000	EMM and alloying materials production HK$'000	Battery materials production HK$'000	Other business HK$'000	Total HK$'000
Sale of goods	1,313,665	2,754,029	1,718,223	11,348,043	17,133,960
Geographical markets					
Mainland China	943,967	2,598,918	1,707,177	11,331,542	16,581,604
Asia (excluding Mainland China)	369,698	68,194	11,046	13,832	462,770
Europe	–	20,431	–	2,669	23,100
North America	–	66,486	–	–	66,486
Total revenue from contracts with customers	1,313,665	2,754,029	1,718,223	11,348,043	17,133,960
Timing of revenue recognition					
Goods transferred at a point in time with customers	1,313,665	2,754,029	1,718,223	11,348,043	17,133,960

6. Revenue, other income and gains (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2024 HK$'000	2023 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods (note 25(a))	**390,459**	206,790

(b) Performance obligations

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

Sale of goods

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

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

	2024 HK$'000	2023 HK$'000
Amounts expected to be recognised as revenue:		
Within one year	**367,036**	390,459

6. Revenue, other income and gains (continued)

An analysis of other income and gains is as follows:

	Note	2024 HK$'000	2023 HK$'000
Bank and other interest income		**6,976**	23,703
Gains on disposal of items of property, plant and equipment	8	**–**	2,004
Subsidy income*		**34,515**	84,467
Sale of scraps		**33,629**	20,193
Gross rental income for operating leases in relation to:	16		
Investment properties		**14,002**	17,278
Others		**–**	445
		14,002	17,723
Foreign exchange gains, net	8	**4,193**	–
Others		**50,877**	84,581
		144,192	232,671

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

7. Finance costs

An analysis of finance costs is as follows:

	Note	2024 HK$'000	2023 HK$'000
Interest on loans and other payables		**96,585**	183,049
Finance costs for discounted notes receivable		**24,843**	39,426
Interest on lease liabilities	16(b) & (c)	**20,949**	18,437
Interest on discounted provision for rehabilitation	27	**2,449**	2,226
Other finance costs		**–**	18
		144,826	243,156

8. (Loss)/profit before tax

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

	Note	2024 HK$'000	2023 HK$'000
Cost of inventories sold# ***		**11,685,627**	16,099,731
Depreciation of property, plant and equipment	14	**396,065**	410,541
Depreciation of right-of-use assets	16(a) & (c)	**35,469**	36,037
Amortisation of intangible assets	17	**1,470**	4,192
Research and development costs		**76,969**	116,799
Loss on contractual compensation*		**88,812**	–
Lease payments not included in the measurement of lease liabilities	16(c)	**7,586**	8,875
Auditor's remuneration:			
Current		**4,900**	5,831
Under-provision		**–**	2,384
		4,900	8,215
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**473,480**	577,551
Pension scheme contributions		**76,774**	92,048
Other employee welfare		**74,494**	77,322
		624,748	746,921
Losses/(gains) on disposal of items of property, plant and equipment**		**9,463**	(2,004)
Foreign exchange differences, net**		**(4,193)**	10,123
Share of losses of associates		**10,058**	4,807
Provision for inventories, net#		**34,376**	3,939
Impairment losses on non-financial assets:			
Impairment of property, plant and equipment	14	**5,692**	–
Impairment of right-of-use assets	16(a)	**12,058**	–
		17,750	–
Impairment losses on financial assets, net:			
Impairment of trade receivables, net	21	**5,238**	8,134
Impairment of financial assets included in prepayments, other receivables and other assets		**27,304**	797
Impairment of amounts due from associates		**320,998**	—
		353,540	8,931
Fair value losses on investment properties**	15	**4,393**	2,328

\# Included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

* Losses totalling HK$88,812,000 arising from disposal of goods by suppliers for the non-performance of manganese ore procurement contracts, which are included in "Other Expenses" in the consolidated statement of profit or loss and other comprehensive income.

** HK$4,193,000 (2023: HK$2,004,000) included in note 6 "Other income and gains" and HK$13,856,000 (2023: HK$12,451,000) included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

*** Cost of inventories sold included HK$699,098,000 (2023: HK$804,912,000) relating to depreciation, amortisation, lease charges and employee benefit, which are included in the amount disclosed separately above for each of these types of expenses.

9. Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance is as follows:

	2024 HK$'000	2023 HK$'000
Fees	**3,072**	2,700
Other emoluments		
Salaries, allowances and benefits in kind	**7,699**	10,141
Performance related bonuses	**4,792**	14,114
Pension scheme contributions	**409**	304
	12,900	24,559
	15,972	27,259

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

Fees	2024 HK$'000	2023 HK$'000
Mr. Zhang Yupeng	**300**	300
Mr. Yuan Mingliang	**300**	300
Mr. Lo Sze Hung	**300**	300
Mr. Luo Guihua (appointed on 10 September 2024)	**93**	–
Mr. Zhou Jie (appointed on 10 September 2024)	**93**	–
Mr. Wu Qi (appointed on 10 September 2024)	**93**	–
	1,179	900

There were no other emoluments payable to the independent non-executive directors during the year (2023: HK$Nil).

9. Directors' and chief executive's remuneration (continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2024					
Executive directors:					
Mr. Zhang He	**300**	**836**	**1,086**	**18**	**2,240**
Mr. Xu Xiang	**300**	**789**	**582**	**27**	**1,698**
Mr. Li Junji (removed on 9 September 2024)	**207**	**238**	**701**	**119**	**1,265**
Mr. Pan Shenghai*	**93**	**176**	**–**	**42**	**311**
Mr. Liu Yang (appointed on 9 September 2024)	**93**	**142**	**–**	**33**	**268**
Ms. Cui Ling**	**75**	**117**	**–**	**42**	**234**
	1,068	**2,298**	**2,369**	**281**	**6,016**
Non-executive directors:					
Mr. Huang Chuangxin (appointed on 10 September 2024)	**93**	**–**	**–**	**–**	**93**
Mr. Pan Shenghai*	**207**	**–**	**–**	**–**	**207**
Ms. Cui Ling**	**225**	**–**	**–**	**–**	**225**
	525	**–**	**–**	**–**	**525**
Chief executive and executive director:					
Mr. Li Weijian (removed on 9 September 2024)	**207**	**5,248**	**2,423**	**95**	**7,973**
Mr. Zhang Yi***	**93**	**153**	**–**	**33**	**279**
	300	**5,401**	**2,423**	**128**	**8,252**
	1,893	**7,699**	**4,792**	**409**	**14,793**
2023					
Executive directors:					
Mr. Zhang He	300	921	2,257	18	3,496
Mr. Xu Xiang	300	795	710	–	1,805
Mr. Li Junji	300	1,243	22	160	1,725
	900	2,959	2,989	178	7,026
Non-executive directors:					
Ms. Cui Ling	300	–	–	–	300
Mr. Pan Shinghai	300	–	–	–	300
	600	–	–	–	600
Chief executive and executive director:					
Mr. Li Weijian	300	7,182	11,125	126	18,733
	1,800	10,141	14,114	304	26,359

* Mr. Pan Shenghai re-designated as Executive Director on 10 September 2024.

** Ms. Cui Ling re-designated as Executive Director on 30 September 2024.

*** Mr. Zhang Yi appointed as Executive Director on 9 September 2024 and appointed as Chairman on 10 September 2024.

The performance related bonuses are mainly determined on the basis of the Group's and individual performance for years ended 31 December 2024 and 2023.

No remuneration was paid by the Group to the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2024 and 2023.

There was no other arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

10. Five highest paid employees

The five highest paid employees for the year ended 31 December 2024 include two directors and the former chief executive of the Company (2023: two directors including the chief executive), details of whose remuneration are set out in note 9. Details of the remuneration for the year of the remaining two (2023: three) highest paid employees who are neither a director nor chief executive of the Company, are as follows:

	2024 HK$'000	2023 HK$'000
Salaries, allowances and benefits in kind	**2,223**	3,285
Performance related bonuses	**943**	3,123
Pension scheme contributions	**127**	233
	3,293	6,641

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2024	2023
Number of employees by remuneration band:		
HK$1,500,001 – HK$2,000,000	**2**	2
HK$2,000,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**–**	1
	2	3

11. Income tax expense

The Group is subject to income tax on an entity basis and assessable based on tax rates prevailing in the jurisdictions in which members of the Group operate.

	Note	2024 HK$'000	2023 HK$'000
Current – Charge for the year			
– PRC		**56,956**	21,406
– Hong Kong		**4,006**	10,102
– Gabon		**24,590**	20,981
Over-provision in prior years*		**(36,837)**	(45,660)
Deferred	19	**(3,822)**	30,715
Total tax expense for the year		**44,893**	37,544

* For the year ended 31 December 2024, a reversal of income tax expense amounting to HK$36,837,000 (2023: HK$45,660,000), mainly related to the statute of limitation, has been recognised in the profit and loss for the year.

Hong Kong profits tax

Provision for Hong Kong profits tax for 2024 and 2023 is calculated at 16.5% of the estimated assessable profit for the year.

11. Income tax (continued)

PRC corporate income tax ("CIT")

Pursuant to the PRC income Tax Law and the respective regulations, South Manganese Group, Qinzhou New Materials and Huiyuan Manganese are recognised as High and New Technology Enterprises and are entitled to a preferential CIT rate of 15% up to 2025, 2025 and 2026 respectively.

Guangxi Start and International New Energy are 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.

Huiyuan New Energy is entitled to 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 CIT

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.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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

	2024 HK$'000	2023 HK$'000
(Loss)/profit before tax	**(757,073)**	109,930
Tax at the statutory PRC CIT rate	**(189,268)**	27,482
Different tax rates for specific provinces or enacted by local authority	**24,070**	(22,088)
Profits and losses attributable to associates	**2,515**	1,202
Income not subject to tax	**(5,222)**	(4,191)
Expenses not deductible for tax	**45,424**	4,451
Research and development tax credit	**(5,973)**	(6,993)
Tax losses and temporary difference not recognised	**214,417**	104,480
Utilisation of tax losses not previously recognised	**(4)**	(17,803)
Over-provisions in respect of previous years	**(36,424)**	(45,660)
Withholding tax on the distributable profits of subsidiaries	**3,167**	(314)
Others	**(7,809)**	(3,022)
Tax charges reported in profit or loss	**44,893**	37,544
Effective income tax rate	**-5.9%**	34.2%

12. (Loss)/earnings per share attributable to owners of the Company

The calculation of the basic loss/earnings per share is based on the loss/profit for the year attributable to owners of the Company and the weighted average number of ordinary shares of 3,428,459,000 (2023: 3,428,459,000) in issue during the year.

No diluted loss/earnings per share has been presented as the Group had no potentially dilutive ordinary shares outstanding during the years ended 31 December 2024 and 2023.

The calculations of basic loss/earnings per share are based on:

	2024 HK$'000	2023 HK$'000
Loss/earnings		
(Loss)/earnings attributable to owners of the Company, used in the basic loss/earnings per share calculation	**(725,070)**	64,144

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

13. Dividends

The Board does not recommend the payment of any dividend for the year ended 31 December 2024 (2023: HK$Nil).

14. Property, plant and equipment

2024	Note	Buildings and mining structures HK$'000	Motor vehicles, plant, machinery, tools and equipment HK$'000	Furniture and fixtures HK$'000	Leasehold improvements and exploration and evaluation assets HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2024:							
Cost		4,017,680	3,114,346	42,190	62,115	564,699	7,801,030
Accumulated depreciation and impairment		(1,925,341)	(1,795,012)	(29,942)	(43,006)	-	(3,793,301)
Net carrying amount		2,092,339	1,319,334	12,248	19,109	564,699	4,007,729
At 1 January 2024, net of accumulated depreciation and impairment		2,092,339	1,319,334	12,248	19,109	564,699	4,007,729
Additions		265	65,585	7,037	7,199	452,695	532,781
Depreciation provided during the year	8	(172,028)	(216,689)	(2,566)	(4,782)	-	(396,065)
Impairment	8	(61)	(5,593)	(38)	-	-	(5,692)
Disposals		(1,495)	(11,928)	(579)	-	(23,704)	(37,706)
Transfers		223,918	86,593	1,139	-	(311,650)	-
Exchange realignment		(44,907)	(26,099)	(324)	(424)	(13,308)	(85,062)
At 31 December 2024, net of accumulated depreciation and impairment		2,098,031	1,211,203	16,917	21,102	668,732	4,015,985
At 31 December 2024:							
Cost		4,147,827	3,141,171	45,870	67,886	668,732	8,071,486
Accumulated depreciation and impairment		(2,049,796)	(1,929,968)	(28,953)	(46,784)	-	(4,055,501)
Net carrying amount		2,098,031	1,211,203	16,917	21,102	668,732	4,015,985

14. Property, plant and equipment (continued)

2023	Note	Buildings and mining structures HK$'000	Motor vehicles, plant, machinery, tools and equipment HK$'000	Furniture and fixtures HK$'000	Leasehold improvements and exploration and evaluation assets HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2023:							
Cost		3,677,432	2,958,577	41,729	62,248	805,612	7,545,598
Accumulated depreciation and impairment		(1,805,225)	(1,642,896)	(30,746)	(41,382)	(5,916)	(3,526,165)
Net carrying amount		1,872,207	1,315,681	10,983	20,866	799,696	4,019,433
At 1 January 2023, net of accumulated depreciation and impairment		1,872,207	1,315,681	10,983	20,866	799,696	4,019,433
Additions		15,652	133,864	3,152	2,893	385,814	541,375
Depreciation provided during the year	8	(164,931)	(239,674)	(1,776)	(4,160)	–	(410,541)
Disposals		(19,219)	(12,516)	(143)	–	(16,813)	(48,691)
Transfers		434,580	152,283	286	–	(587,149)	–
Exchange realignment		(45,950)	(30,304)	(254)	(490)	(16,849)	(93,847)
At 31 December 2023, net of accumulated depreciation and impairment		2,092,339	1,319,334	12,248	19,109	564,699	4,007,729
At 31 December 2023:							
Cost		4,017,680	3,114,346	42,190	62,115	564,699	7,801,030
Accumulated depreciation and impairment		(1,925,341)	(1,795,012)	(29,942)	(43,006)	–	(3,793,301)
Net carrying amount		2,092,339	1,319,334	12,248	19,109	564,699	4,007,729

At 31 December 2024, the Group was in the process of applying for the building ownership certificates of certain of its buildings with a total carrying amount of HK$135,234,000 (2023: HK$192,547,000). The directors are of the opinion that the aforesaid matter will not have any significant adverse impact on the Group's financial position as at 31 December 2024.

As at 31 December 2024, property, plant and equipment with a total carrying amount of HK$744,600,000 (2023: HK$495,924,000) was pledged to certain lease liabilities under sales and leaseback arrangements and bank loans as set out in note 26 to the financial statements.

Impairment loss of HK$5,692,000 was recognised in relation to the unused and obsolete property, plant and equipment for the year ended 31 December 2024 (2023: Nil).

15. Investment properties

	Note	2024 HK$'000	2023 HK$'000
Carrying amount at 1 January		**99,208**	104,006
Fair value loss recognised in profit or loss	8	**(4,393)**	(2,328)
Exchange realignment		**(2,057)**	(2,470)
Carrying amount at 31 December		**92,758**	99,208

The Group's investment properties are commercial properties situated in Mainland China.

Valuation processes

The Group measures its investment properties at fair value as at 31 December 2024 and 2023. The investment properties were revalued by independent qualified professional valuers not related to the Group.

The management appoints external valuers to perform valuation of the Group's investment properties frequently enough to ensure that the carrying amount of the investment properties does not differ materially from their fair value. Selection criteria include market knowledge, reputation, independence and professional competency. Management will discuss with the valuers on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

All of the fair value measurements of the Group's investment properties were categorised into level 3 of the fair value hierarchy.

During the year, there were no transfers into or out of level 3 (2023: Same).

Below is a summary of the valuation technique used and a summary of the key inputs to the valuation of the investment properties:

At 31 December 2024

	Valuation technique	Significant unobservable inputs	Range	Effect on fair value for increase of inputs
Commercial properties	Direct comparison method	Estimated sales value (per sq.m.)	RMB2,900 to RMB34,960	Increase

At 31 December 2023

	Valuation technique	Significant unobservable inputs	Range	Effect on fair value for increase of inputs
Commercial properties	Direct comparison method	Estimated sales value (per sq.m.)	RMB2,900 to RMB36,850	Increase

Under the direct comparison method, the fair value of the investment properties is estimated assuming sale of each of these properties in existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market and adjusted for differences in the nature and location.

16. Leases

The Group as a lessee

The Group has lease contracts for various items of offices, plant and machinery, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 10 to 69 years, and no ongoing payments will be made under the terms of these land leases. Leases of offices generally have lease terms between 2 and 4 years, while motor vehicles, plant and machinery generally have lease terms between 4 and 10 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Some lease contracts include the option to extend or terminate the leases depending on the terms of the specific leases concerned. The Group assesses whether it is reasonably certain to exercise that option and if so, exercising that option should be taken into account when determining a lease term.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Note	Leasehold land HK$'000	Others HK$'000	Total HK$'000
At 1 January 2023		482,685	40,665	523,350
Addition		8,749	6,814	15,563
Depreciation	8	(18,405)	(17,632)	(36,037)
Exchange realignment		(11,469)	(866)	(12,335)
At 31 December 2023 and 1 January 2024		**461,560**	**28,981**	**490,541**
Addition		**59,092**	**1,948**	**61,040**
Depreciation	8	**(18,256)**	**(17,213)**	**(35,469)**
Impairment	8	**–**	**(12,058)**	**(12,058)**
Exchange realignment		**(10,502)**	**(167)**	**(10,669)**
At 31 December 2024		**491,894**	**1,491**	**493,385**

The alloying material production operations of certain subsidiaries have been temporarily suspended with no plans for resumption in the near term. As at 31 December 2024, impairment loss of HK$12,058,000 was recognised to reflect their diminished recoverable amount.

As at 31 December 2024, leasehold land with a carrying amount of HK$79,556,000 (2023: HK$83,968,000) was pledged to bank loans as set out in note 26 to the financial statements.

16. Leases (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	Note	2024 HK$'000	2023 HK$'000
Carrying amount at 1 January		**228,009**	392,316
New leases		**440,468**	6,585
Accretion of interest recognised during the year	7	**20,949**	18,437
Payments		**(255,196)**	(180,952)
Exchange realignment		**(7,916)**	(8,377)
Carrying amount at 31 December		**426,314**	228,009
Analysed into:			
Current portion	26	**210,108**	150,787
Non-current portion	26	**216,206**	77,222
		426,314	228,009

The maturity analysis of lease liabilities is disclosed in note 26 to the financial statements.

(c) Amounts recognised in profit or loss in relation to leases

	Note	2024 HK$'000	2023 HK$'000
Interest on lease liabilities	7	**20,949**	18,437
Depreciation charge of right-of-use assets	8	**35,469**	36,037
Lease payments not included in the measurement of lease liabilities			
– Expense relating to short-term leases		**2,154**	2,022
– Expense relating to leases of low-value assets		**1,112**	929
– Variable lease payments not included in the measurement of lease liabilities		**4,320**	5,924
	8	**7,586**	8,875
Total amount recognised in profit or loss		**64,004**	63,349

Variable lease payments

The Group has lease contracts for power transformers that contain variable payments based on the actual volume of electricity consumed. These terms are negotiated by management without steady customer demand. Management's objective is to align the lease expense with the volume of electricity consumed and revenue earned.

(d) The total cash outflow for leases is disclosed in note 35(b) to the financial statements.

16. Leases (continued)

The Group as a lessor

The Group leases its investment properties (note 15) and certain of its plant and machinery 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 year was HK$14,002,000 (2023: HK$17,723,000), details of which are included in note 6 to the financial statements.

The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

At 31 December 2024, the total undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024 HK$'000	**2023 HK$'000**
Within one year	**10,383**	11,826
In the second year	**2,114**	9,420
In the third year	**584**	313
In the fourth year	**274**	20
In the fifth year	**92**	–
	13,447	21,579

17. Intangible assets

2024	Note	Mining rights HK$'000	Other intangible assets HK$'000	Total HK$'000
Carrying amount at 1 January 2024		**205,586**	**8,447**	**214,033**
Additions		**–**	**111**	**111**
Amortisation provided during the year	8	**(369)**	**(1,101)**	**(1,470)**
Exchange realignment		**(4,385)**	**(1,382)**	**(5,767)**
Carrying amount at 31 December 2024		**200,832**	**6,075**	**206,907**
At 31 December 2024				
Cost		**912,761**	**15,799**	**928,560**
Accumulated amortisation and impairment		**(711,929)**	**(9,724)**	**(721,653)**
Net carrying amount		**200,832**	**6,075**	**206,907**

2023	Note	Mining rights HK$'000	Other intangible assets HK$'000	Total HK$'000
Carrying amount at 1 January 2023		213,352	8,022	221,374
Additions		383	1,740	2,123
Amortisation provided during the year	8	(3,072)	(1,120)	(4,192)
Exchange realignment		(5,077)	(195)	(5,272)
Carrying amount at 31 December 2023		205,586	8,447	214,033
At 31 December 2023				
Cost		932,197	17,689	949,886
Accumulated amortisation and impairment		(726,611)	(9,242)	(735,853)
Net carrying amount		205,586	8,447	214,033

Due to the alteration of the Group's expansion plan of Changgou Manganese Mine in previous years, accumulated impairment losses of HK$288,406,000 were recognised as at 31 December 2024.

As at 31 December 2024, management has reviewed the operational performance of Changgou Manganese Mine and considered the operation's sensitivity to a range of factors including discount rate, estimated selling prices, future production volume, operation expenditure and capital expenditure and concluded that there is currently no further impairment or any requirement to reverse the previously recognised impairment.

The recoverable amount is determined by discounting the future cashflow generated from the continuous use of the mining right and its related infrastructure and plant and machinery in relation to Changgou Manganese Mine ("Changgou CGU").

17. Intangible assets (continued)

The key assumptions used in the Group's mining right impairment test as at 31 December were as follows:

2024	**Changgou CGU**
Average selling price	RMB327 per tonne
Pre-tax discount rate	12.2%

2023	**Changgou CGU**
Average selling price	RMB337 per tonne
Pre-tax discount rate	13.2%

18. Investments in associates and amounts due from associates

	Note	**2024 HK$'000**	**2023 HK$'000**
Share of net assets		**410,586**	420,896
Less: Impairment		**(311,183)**	(311,183)
		99,403	109,713
Amounts due from associates			
- Unsecured	(b)	**49,375**	54,773
- Secured	(c)	**316,196**	–
		365,571	54,773
Less: Impairment	(b) & (c)	**(365,571)**	(54,773)
		–	–

18. Investments in associates and amounts due from associates (continued)

Particulars of the Group's associates as at 31 December 2024 are as follows:

Name of company	Place and date of incorporation/ establishment	Issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Greenway Mining Group Limited ("GMG")	Cayman Islands 30 November 2009	HK$45,372	–	23.99%	Mining, ore processing and sale of lead-silver concentrates and zinc-silver concentrates
Dushan Jinmeng Manganese Industry Co., Ltd. ("Dushan Jinmeng")	PRC 19 July 2001	RMB758,657,900	–	33.00%	Manganese ferroalloy production and processing and trading of manganese ferroalloy and related raw materials
Qingdao Manganese 青島錳系投資合夥企業(有限合夥)	PRC 19 January 2021	RMB468,890,000/ RMB505,990,000	–	16.00% (note a)	Trading of nonferrous metals and investment
Beibu Gulf (Guangxi) Mercantile Exchange Limited Company 北部灣(廣西)大宗商品交易有限公司	PRC 19 May 2022	RMB50,000,000	–	20.00%	Provision of a commodities trading platform
Beibu Gulf Canal (Guangxi) Industrial Limited Company 北部灣運河(廣西)實業有限公司	PRC 30 December 2022	RMB100,000,000	–	49.00%	Investing, import and export of goods, trade agency, and online trading

The Group's interests in the associates represent equity interests held by wholly-owned subsidiaries of the Company.

Notes:

(a) As at 31 December 2024, the Group had contributed HK$80,993,000 (equivalent to RMB75,000,000) (31 December 2023: HK$82,763,000, equivalent to RMB75,000,000) to a limited partnership Qingdao Manganese established in the PRC, which represented 16.00% (2023: 16.00%) of its issued capital and 14.82% (2023: 14.41%) of its registered capital. The Group retains significant influence over this investment as the Group obtained a seat on its management committee, this investment is accounted for as an associate under the equity method.

(b) As at 31 December 2024 and 2023, the unsecured amounts due from associates were repayable either on demand or within one year. Except for the loans to subsidiaries of GMG of HK$42,773,000 (2023: HK$47,437,000) which carried interest at 8% (2023: 8%) per annum, the remaining balance represented other receivable due from Dushan Jinmeng which was non-interest bearing.

As at 31 December 2024, ECL allowances of HK$42,773,000 and HK$6,602,000 (2023: HK$47,437,000 and HK$7,336,000) were recognised in respect of unsecured amounts due from GMG and Dushan Jinmeng.

(c) At 31 December 2024, the secured amount due from an associate, Dushan Jinmeng was repayable on demand. The amount was arising from the settlement of the guarantee liability for a corporate guarantee provided by the Group in respect of bank facilities granted to Dushan Jinmeng. According to the relevant PRC laws, the Group as a guarantor, after assuming the guarantee liability, is entitled to seek recompensation from Dushan Jinmeng and the amount due from Dushan Jinmeng was pledged by Dushan Jinmeng's leasehold land and certain of its property, plant and equipment. The Group can exercise this right over the charge if Dushan Jinmeng does not repay the amount on or before 19 May 2027.

At 31 December 2024, an ECL allowance of HK$316,196,000 was recognised in respect of the secured amount due from Dushan Jinmeng.

18. Investments in associates and amounts due from associates (continued)

The following table illustrates the summarised financial information of an associate that is material to the Group, after adjustments for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

	Qingdao Manganese	
	2024 **HK$'000**	**2023** **HK$'000**
At 31 December:		
Non-current assets	**56**	81
Current assets	**1,093,343**	1,094,086
Non-current liabilities	**–**	–
Current liabilities	**(669,417)**	(593,275)
Net assets	**423,982**	500,892
Reconciliation to the Group's interests in the associates:		
Proportion of the Group's ownership	**16.00%**	16.00%
Group's share of carrying amount of interests	**67,837**	80,143
Year ended 31 December:		
Revenue	**3,425,831**	2,349,145
Loss for the year attributable to shareholders	**(67,203)**	(26,304)
Total comprehensive income	**(67,203)**	(26,304)

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2024 **HK$'000**	**2023** **HK$'000**
At 31 December:		
Group's share of carrying amount of interests, net of impairment	**31,566**	29,570
Year ended 31 December:		
Loss for the year attributable to shareholders	**(3,262)**	(3,879)
Total comprehensive income	**(3,262)**	(3,879)

19. Deferred tax

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

Deferred tax assets

	Note	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		56,690	26,897	83,587
Deferred tax charged to profit or loss during the year	11	(10,697)	(11,548)	(22,245)
Exchange realignment		(1,288)	(571)	(1,859)
At 31 December 2023 and 1 January 2024		**44,705**	**14,778**	**59,483**
Deferred tax credited to profit or loss during the year	11	**8,437**	**18,536**	**26,973**
Exchange realignment		**(1,083)**	**(594)**	**(1,677)**
At 31 December 2024		**52,059**	**32,720**	**84,779**

Deferred tax liabilities

	Note	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding taxes HK$'000	Fair value adjustments on investment properties HK$'000	Depreciation allowance in excess of related depreciation and others HK$'000	Total HK$'000
At 1 January 2023		74,490	33,966	8,589	125,947	242,992
Deferred tax charged/(credited) to profit or loss during the year	11	(1,756)	(314)	–	10,540	8,470
Exchange realignment		(1,768)	–	(205)	(3,072)	(5,045)
At 31 December 2023 and 1 January 2024		**70,966**	**33,652**	**8,384**	**133,415**	**246,417**
Deferred tax charged/(credited) to profit or loss during the year	11	**108**	**48,795**	**2,144**	**(27,896)**	**23,151**
Exchange realignment		**(1,520)**	**–**	**(212)**	**(2,436)**	**(4,168)**
At 31 December 2024		**69,554**	**82,447**	**10,316**	**103,083**	**265,400**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the current applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

19. Deferred tax (continued)

Deferred tax liabilities (continued)

At the end of the reporting period, deferred tax has not been provided for in the consolidated financial statements in respect of certain temporary differences attributable to retained profits of the subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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:

	2024 HK$'000	2023 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**40,962**	11,908
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(221,583)**	(198,842)
	(180,621)	(186,934)

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax assets have not been recognised in respect of the following items:

	2024 HK$'000	2023 HK$'000
Unused tax losses	**2,142,195**	1,326,533
Deductible temporary differences	**130,668**	140,150
	2,272,863	1,466,683

The Group has estimated unused tax losses arising in Hong Kong of HK$689,914,000 (2023: HK$662,027,000) that are available indefinitely for offsetting against future taxable profits of the respective companies the losses relate to.

The Group also has unused tax losses arising in Mainland China of HK$1,452,281,000 (2023: HK$664,506,000) that will expire within five to ten years for offsetting against future taxable profits of the respective companies the losses relate to.

Deferred tax assets have not been recognised in respect of these losses, which are subject to the agreement with the tax authorities, due to the unpredictability of future profit streams.

20. Inventories

	2024 HK$'000	2023 HK$'000
Raw materials	**468,450**	836,151
Work in progress	**37,553**	27,936
Finished goods	**596,331**	886,235
	1,102,334	1,750,322
Less: Inventory provision	**(101,627)**	(68,402)
	1,000,707	1,681,920

21. Trade and notes receivables

	2024 HK$'000	2023 HK$'000
Trade receivables	**847,879**	736,663
Less: Impairment	**(269,719)**	(267,877)
	578,160	468,786
Notes receivable	**369,006**	1,063,543
	947,166	1,532,329

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment is required either in advance or upon delivery. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one to three months from the invoice date and cash realisation may be further extended by three to six months for those customers paying by bank acceptance notes. 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.

Except for trade receivables of HK$231,966,000 (2023: HK$231,966,000) with a provision of HK$231,966,000 (2023: HK$231,966,000) due from a single customer and its subsidiaries, the remaining trade receivables relate to a large number of diversified customers.

As at 31 December 2024, trade and notes receivables with a total carrying amount of HK$44,115,000 (2023: HK$45,800,000) were pledged to bank loans as set out in note 26 to the financial statements.

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:

	2024 HK$'000	2023 HK$'000
Within one month	**253,245**	232,695
One to two months	**149,377**	113,945
Two to three months	**80,613**	60,973
Over three months	**94,925**	61,173
	578,160	468,786

Notes receivables represent bank acceptance notes issued by banks in Mainland China maturing before June 2025 (2023: June 2024). The Group classifies the notes receivable as financial assets at FVTOCI due to the Group's intention to holding notes receivables to maturity, endorsing or discounting during its daily treasury management.

21. Trade and notes receivables (continued)

Transferred financial assets that are derecognised in their entirety

At 31 December 2024, 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 RMB725,708,000 (equivalent to HK$783,692,000) (2023: RMB462,949,000, equivalent to HK$510,864,000). The Derecognised Notes had a maturity of one to six months (2023: one to six 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 are 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 year ended 31 December 2024, 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 year or cumulatively. The endorsement has been made evenly throughout the year.

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

	Note	2024 HK$'000	2023 HK$'000
At beginning of year		**267,877**	268,116
Impairment loss for the year, net	8	**5,238**	8,134
Amount written off as uncollectible		**(2,704)**	(7,515)
Exchange realignment		**(692)**	(858)
At end of year		**269,719**	267,877

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL for trade receivables. The provision rates are based on ageing information for groupings of various customer segments with similar loss patterns. 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.

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

As at 31 December 2024

	Ageing				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	**2.7%**	**5.4%**	**48.9%**	**99.8%**	**31.8%**
Gross carrying amount (HK$'000)	**586,259**	**4,176**	**6,655**	**250,789**	**847,879**
Expected credit losses (HK$'000)	**16,038**	**224**	**3,254**	**250,203**	**269,719**

21. Trade and notes receivables (continued)

As at 31 December 2023

	Ageing				
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	2.2%	21.0%	34.5%	99.6%	36.4%
Gross carrying amount (HK$'000)	462,691	18,705	974	254,293	736,663
Expected credit losses (HK$'000)	10,274	3,931	336	253,336	267,877

The carrying amounts of the Group's trade and notes receivables are denominated in the following currencies:

	2024 HK$'000	**2023 HK$'000**
RMB	**858,039**	1,495,667
USD	**89,127**	36,662
	947,166	1,532,329

22. Prepayments, other receivables and other assets

Non-current portion

	2024 HK$'000	**2023 HK$'000**
Prepayments	**98,620**	67,779
Deposits	**15,554**	24,678
	114,174	92,457

Current portion

	2024 HK$'000	**2023 HK$'000**
Prepayments	**915,905**	1,660,801
Deposits and other receivables	**324,135**	319,473
	1,240,040	1,980,274
Less: Impairment	**(177,910)**	(147,921)
	1,062,130	1,832,353

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

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. An impairment analysis is performed at each reporting date by considering the probability of default. ECL are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. Except for certain receivables for which the counterparty failed to make demanded payment within the credit term and the Group has made provision ("default receivables") of HK$177,910,000 (2023: HK$147,921,000), the other balances are normally settled within the credit term with no historical default and past due amounts. Except for the default receivables, the Group estimated that the expected credit loss rate for the other receivables is minimal.

As at 31 December 2024, prepayments comprise advances made to suppliers for the purchase of goods which are mainly attributed to other business segment.

The details of impairment losses on prepayments, other receivables and other assets recognised to profit or loss are disclosed in note 8 to the financial statements.

23. Cash and cash equivalents, pledged deposits and restricted deposits

	2024 HK$'000	2023 HK$'000
Cash and bank balances	**712,585**	1,291,248
Less: Restricted deposits in relation to litigations	**(27,835)**	(26,494)
Less: Pledged deposits		
– Pledged for notes payables (note 24)	**(232,094)**	(289,175)
– Pledged for bank borrowings (note 26(a))	**(50,327)**	–
	(282,421)	(289,175)
Cash and cash equivalents as stated in the consolidated statement of financial position	**402,329**	975,579
Cash and cash equivalents as stated in the consolidated statement of cash flows	**402,329**	975,579

As at 31 December 2024, cash and bank balances of the Group denominated in RMB amounting to HK$655,587,000 (2023: HK$1,258,047,000) were deposited in Mainland China. The 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 are deposited with creditworthy banks with no recent history of default.

24. 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 or note issuance date, is as follows:

	2024 HK$'000	2023 HK$'000
Within one month	**501,529**	571,437
One to two months	**118,681**	139,896
Two to three months	**1,288**	96,379
Over three months	**586,402**	641,162
	1,207,900	1,448,874

The trade payables are non-interest-bearing and are normally settled on 60-day terms. Certain note payables were secured by pledged deposits as set out in note 23 to the financial statements.

The carrying amounts of the Group's trade and notes payables are denominated in the following currencies:

	2024 HK$'000	2023 HK$'000
RMB	**978,519**	1,205,280
USD	**229,381**	243,594
	1,207,900	1,448,874

25. Other payables and accruals

	Note	2024 HK$'000	2023 HK$'000
Contract liabilities	(a)	**367,036**	390,459
Other payables		**554,399**	675,035
Accruals		**291,788**	463,485
Financial guarantee contracts	32(a)	**–**	8,723
		1,213,223	1,537,702

25. Other payables and accruals (continued)

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2024 HK$'000	31 December 2023 HK$'000	1 January 2023 HK$'000
Short-term advances received from customers			
Sale of goods (note 6(a))	**367,036**	390,459	206,790

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

26. Interest-bearing bank and other borrowings

	2024			2023		
	Effective Interest Rate (%)	Maturity	HK$'000	Effective Interest Rate (%)	Maturity	HK$'000
Current						
Lease liabilities (note 16(b))	**3.09-5.80**	**2025**	**210,108**	3.16-5.80	2024	150,787
Bank loans – secured (note (a))	**3.51-8.25**	**2025**	**201,415**	3.63-8.25	2024	56,504
Bank loans – unsecured	**1.05-4.50**	**2025**	**2,035,265**	0.80-5.35	2024	3,290,028
Current portion of long-term bank loans – secured (note (a))	**4.00-6.30**	**2025**	**214,036**	4.00-6.10	2024	93,798
Current portion of long-term bank loans – unsecured	**4.15-4.50**	**2025**	**249,252**	4.15-4.90	2024	571,739
			2,910,076			4,162,856
Non-current						
Lease liabilities (note 16(b))	**3.09-5.42**	**2026-2028**	**216,206**	3.16-5.80	2025	77,222
Long-term bank loans – secured (note (a))	**4.00-6.30**	**2027**	**458,957**	4.00-6.30	2027	434,779
Long-term bank loans – unsecured	**3.70-4.50**	**2026-2027**	**360,341**	4.00-6.30	2025-2027	445,760
			1,035,504			957,761
			3,945,580			5,120,617

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

	2024 HK$'000	2023 HK$'000
Analysed into:		
By nature		
Fixed rate bank loans	**3,292,811**	4,476,919
Variable rate bank loans	**226,455**	415,689
Lease liabilities – sales and leaseback arrangements (note (a))	**424,642**	221,654
Lease liabilities	**1,672**	6,355
	3,945,580	5,120,617
By maturity		
Bank loans repayable:		
Within one year or on demand	**2,699,968**	4,012,069
In the second year	**48,488**	183,145
In the third to fifth years, inclusive	**770,810**	697,394
	3,519,266	4,892,608
Lease liabilities:		
Within one year	**210,108**	150,787
In the second year	**180,849**	77,222
In the third to fifth years, inclusive	**35,357**	–
	426,314	228,009
	3,945,580	5,120,617

Note:

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

	Note	2024 HK$'000	2023 HK$'000
Property, plant and equipment	14	**744,600**	495,924
Leasehold land	16	**79,556**	83,968
Trade receivables	21	**44,115**	45,800
Pledged deposits	23	**50,327**	–
		918,598	625,692

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

	2024 HK$'000	2023 HK$'000
RMB	**3,944,082**	5,117,081
USD	**429**	398
HK$	**1,069**	3,138
	3,945,580	5,120,617

The Group has not breached the financial covenants of any interest-bearing borrowings including debt-asset ratio and current ratio for the years ended 31 December 2024 and 2023. Further details of the covenants and the Group's management of liquidity risk are set out in note 38 to the consolidated financial statements.

27. Other long-term liabilities

	2024 HK$'000	2023 HK$'000
Rehabilitation liabilities (note)	**69,991**	55,947
Other payables	**57,051**	48,378
	127,042	104,325

Note:

The movements of rehabilitation liabilities are as follows:

	2024 HK$'000	2023 HK$'000
At 1 January	**55,947**	56,190
Increase in provisions	**3,174**	–
Reassessment of timing of settlement	**9,655**	–
Increase in discounted amounts arising from the passage of time (note 7)	**2,449**	2,226
Payments during the year	**–**	(1,121)
Exchange realignment	**(1,234)**	(1,348)
At 31 December	**69,991**	55,947

The balance represents the provisions for rehabilitation estimated by management of the restoration costs to be incurred on mine closures. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

28. Deferred income

	2024 HK$'000	2023 HK$'000
At 1 January	**45,036**	64,595
Additions	**7,963**	1,021
Amortised during the year	**(9,188)**	(19,148)
Exchange realignment	**(944)**	(1,432)
At 31 December	**42,867**	45,036

Deferred income represents the receipt of government grants for constructions of certain equipment, which has been recognised as a non-current liability on the 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.

29. Issued capital

Shares

	2024 HK$'000	2023 HK$'000
Issued and fully paid:		
3,428,459,000 (2023: 3,428,459,000) ordinary shares of HK$0.10 each	**342,846**	342,846

There was no movement in the Company's issued capital during 2024 and 2023.

30. Reserves

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity on pages 100 to 101 of the financial statements.

	Note	2024 HK$'000	2023 HK$'000
Contributed surplus		**2,461,249**	2,461,249
Fair value reserve of financial assets at FVTOCI		**(591)**	(1,130)
Reserve funds	(a), (b)	**313,958**	283,843
Exchange fluctuation reserve		**(219,970)**	(154,990)
Capital redemption reserve		**312**	312
Investment related reserve		**2,051**	2,051
(Accumulated losses)/retained profits		**(538,245)**	207,969
		2,018,764	2,799,304

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 generally accepted accounting principles, 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.

31. Partly-owned subsidiaries with material non-controlling interests

The following table shows information on the subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

	Huazhou BVI and its subsidiaries		South Manganese Shanghai and its subsidiary		Qinzhou New Materials*	Zunyi Company and its subsidiaries*	Dameng International Resources Limited and its subsidiary*
	2024 HK'000	2023 HK'000	**2024 HK'000**	2023 HK'000	2023 HK'000	2023 HK'000	2023 HK'000
Percentage of equity interest held by non-controlling interests:	**40%**	40%	**30%**	30%	30%	36%	49%
Profit/(loss) for the year allocated to non-controlling interests	**47,178**	61,596	**(114,682)**	(26,291)	(11,765)	(24,810)	10,676
Net assets/(liabilities) attributable to non-controlling interests at the reporting date	**32,411**	(23,738)	**(203,196)**	(88,514)	51,438	10,954	(68,437)
Summarised financial information:							
Revenue, other income and gains	**819,314**	886,808	**4,853,305**	6,037,306	380,563	200,582	1,071,881
Total expenses	**730,299**	758,671	**5,235,578**	6,116,238	419,642	269,500	1,033,211
Profit/(loss) for the year	**89,015**	128,137	**(382,273)**	(78,932)	(39,079)	(68,918)	38,670
Total comprehensive income for the year	**89,015**	128,137	**(382,273)**	(78,932)	(39,079)	(68,918)	38,670
Current assets	**674,479**	735,092	**557,292**	939,744	113,430	140,834	118,402
Non-current assets	**100,414**	109,316	**523**	6,321	17,025	389,444	–
Current liabilities	**838,464**	1,057,586	**1,036,644**	1,053,143	333,434	623,064	183,442
Non-current liabilities	**61,249**	704	**13,669**	286	55	51,445	–
Net cash flows from/(used in) operating activities	**35,174**	6,233	**(8,797)**	133,967	1,396	40,493	(73,834)
Net cash flows from/(used in) investing activities	**54,630**	(9,555)	**(31)**	(787)	(3,345)	(8,646)	695
Net cash flows from/(used in) financing activities	**–**	4,569	**–**	(93,154)	(290)	(1,420)	3,098
Net increase/(decrease) in cash and cash equivalents	**89,804**	1,247	**(8,828)**	40,026	(2,239)	30,427	(70,041)

* The directors of the Company consider these non-wholly owned subsidiaries of the Group no longer have material non-controlling interest, and accordingly, no summarised financial information in respect of respective subsidiary has been presented for the year ended 31 December 2024.

32. Contingent liabilities

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

	Notes	2024 HK$'000	2023 HK$'000
Guarantee given to a bank in connection with facilities granted to an associate	(a)	–	291,324

Notes:

(a) As at 31 December 2023, the outstanding banking facilities of an associate in which the Group has a 33% equity interest, were secured by the associate's leasehold land and property, plant and equipment and guaranteed by the Group and the shareholder of the associate according to the shareholding percentage on a several basis.

As at 31 December 2023, the associate's banking facilities guaranteed by the Group and the shareholder of the associate amounted to RMB800,000,000 (equivalent to HK$882,800,000) and were utilised to the extent of RMB552,400,000 (equivalent to HK$609,573,000) by the associate. During the year ended 31 December 2024, the Group has assumed its guarantee liability and performed its obligation under the corporate guarantee to repay the loan principal of RMB264,000,000 (equivalent to HK$289,423,000) and accrued interest of RMB28,802,000 (equivalent to HK$31,575,000) to the bank. As a result, an amount due from an associate of RMB292,802,000 (equivalent to HK$316,196,000) had been recognised and fully impaired as detailed in note 18(c) to the consolidated financial statements. At 31 December 2024, the guarantee liability provided by the Group was HK$Nil.

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 except for certain bank deposits were restricted as set out in note 23 to the financial statements.

33. Commitments

The Group had the following capital commitments at the end of the reporting period:

	2024 HK$'000	2023 HK$'000
Capital expenditure in respect of:		
– Acquisition of items of property, plant and equipment	**125,362**	336,396
– Capital contribution payable to associates	**32,073**	34,760
	157,435	371,156

34. Related party transactions

Guangxi Dameng, a shareholder of the Company, exercises significant influence over the Group. Therefore, Guangxi Dameng and its subsidiaries are considered to be related parties of the Group.

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2024 HK$'000	2023 HK$'000
Sales of finished goods to associates	(i)	**194,860**	557,086
Purchases of finished goods from an associate	(i)	**71,846**	7,296
Purchases of finished goods from Guangxi Dameng	(ii)	**6,383**	23,997
Purchases of equipment from a subsidiary of Guangxi Dameng	(ii)	**5,317**	–
Contractual compensation paid to an associate	(iii)	**66,298**	–
Management fees paid to a subsidiary of Guangxi Dameng	(iv)	**1,044**	1,057
Maximum balance of loans to an associate	(v)	**42,773**	47,437

Notes:

(i) These sales and purchases were made at prices based on the mutual agreements between the parties.

(ii) These sales and purchases were made at prices based on the mutual agreements between the parties.

(iii) The compensation was paid for the non-performance of manganese are procurement contracts, as detailed in note 8 to the financial statements.

(iv) The management fees paid was based on the mutual agreement between the parties.

(v) The loans to an associate carried interest at 8% (2023: 8%) per annum, as further detailed in note 18 to the financial statements.

The related party transactions for the year 2024 above, note (ii) also constitutes connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

34. Related party transactions (continued)

(b) Outstanding balances with related parties

	Notes	2024 HK$'000	2023 HK$'000
Due from related companies			
Prepayments and other receivables	(i)	**–**	2,130
Due to related companies			
Other payables	(ii)	**5,152**	1,062
Due from associates, net of impairment	18	**–**	–
Prepayments to associates	(i)	**–**	46,360
Trade payables to associates	(iii)	**32,116**	–
Receipts in advance from associates	(iii)	**64,794**	36,211

Notes

(i) The Group's prepayments and other receivables from related companies and associates are unsecured, non-interest-bearing and had no fixed terms of repayment.

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

(iii) These payables and advances pertain to goods to be provided to the associates in the ordinary course of business. The amounts are unsecured and non-interest-bearing.

(c) Compensation of key management personnel of the Group

	2024 HK$'000	2023 HK$'000
Salaries, allowances and benefits in kind	**9,341**	11,641
Bonuses	**5,242**	15,364
Pension scheme contributions	**454**	322
Total compensation paid to key management personnel	**15,037**	27,327

Further details of directors' and the chief executive's emoluments are included in note 9.

(d) At 31 December 2023, an associate's banking facilities were guaranteed by the Group amounting to HK$291,324,000, as further detailed in note 32(a) to the financial statements.

35. Notes to the consolidated statement of cash flows

(a) Changes in assets/liabilities arising from financing activities

2024

	Pledged deposits HK$'000	Interest payables HK$'000	Bank and other loans HK$'000	Lease liabilities HK$'000
At 1 January 2024	**289,175**	**90,005**	**4,892,608**	**228,009**
Changes from financing cash flows	**(570)**	**(183,871)**	**(1,289,900)**	**183,324**
New leases	–	–	–	**1,948**
Foreign exchange movement	**(6,184)**	**(991)**	**(83,442)**	**(7,916)**
Interest expense	–	**121,428**	–	**20,949**
At 31 December 2024	**282,421**	**26,571**	**3,519,266**	**426,314**

2023

	Pledged deposits HK$'000	Interest payables HK$'000	Bank and other loans HK$'000	Lease liabilities HK$'000
At 1 January 2023	430,839	92,234	4,068,084	392,316
Changes from financing cash flows	(132,184)	(222,466)	926,324	(180,952)
New leases	–	–	–	6,585
Foreign exchange movement	(9,480)	(2,256)	(101,800)	(8,377)
Interest expense	–	222,493	–	18,437
At 31 December 2023	289,175	90,005	4,892,608	228,009

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 HK$'000	2023 HK$'000
Within operating activities	**(7,586)**	(8,875)
Within investing activities	**(59,092)**	(8,978)
Within financing activities	**(255,196)**	(180,952)
	(321,874)	(198,805)

36. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Trade and notes receivables	**369,006**	**578,160**	**947,166**
Prepayments, other receivables and other assets	–	**131,637**	**131,637**
Restricted deposits	–	**27,835**	**27,835**
Pledged deposits	–	**282,421**	**282,421**
Cash and cash equivalents	–	**402,329**	**402,329**
	369,006	**1,422,382**	**1,791,388**

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and notes payables	**1,207,900**
Other payables and accruals	**588,813**
Interest-bearing bank and other borrowings	**3,943,908**
Due to related companies	**5,152**
Other long-term liabilities	**50,536**
	5,796,309

36. Financial instruments by category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2023

Financial assets

	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Trade and notes receivables	1,063,543	468,786	1,532,329
Prepayments, other receivables and other assets	–	147,700	147,700
Due from related companies	–	2,130	2,130
Restricted deposits	–	26,494	26,494
Pledged deposits	–	289,175	289,175
Cash and cash equivalents	–	975,579	975,579
	1,063,543	1,909,864	2,973,407

Financial liabilities

	Financial liabilities at amortised cost HK$'000	Financial guarantee contracts HK$'000	Total HK$'000
Trade and notes payables	1,448,874	–	1,448,874
Other payables and accruals	575,642	8,723	584,365
Interest-bearing bank and other borrowings	5,114,262	–	5,114,262
Due to related companies	1,062	–	1,062
Other long-term liabilities	41,016	–	41,016
	7,180,856	8,723	7,189,579

37. 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, 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 receivable measured at FVTOCI has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

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

Financial instruments measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
As at 31 December 2024				
Assets:				
Notes receivable	**–**	**369,006**	**–**	**369,006**
As at 31 December 2023				
Assets:				
Notes receivable	–	1,063,543	–	1,063,543

During the year, 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 (2023: Same).

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

38. Financial risk management objectives and policies

The Group's principal financial instruments comprise financial liabilities which are mainly interest-bearing bank and other borrowings, and financial assets which are mainly cash and short-term bank deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade and notes receivables and trade and notes payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's income and operating cash flows are not substantially affected by changes in market interest rates. In addition, the Group has no significant interest-bearing assets and liabilities except for cash and cash equivalents, and interest-bearing bank and other borrowings. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to manage its interest expenses using a mix of fixed and floating rate debts. To manage this mix in a cost-effective manner, the Group may consider to enters into an interest rate swap contract, in which the Group agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. The swap contract is designated to hedge against the interest rate exposure of the underlying debt obligations. Management will closely monitor interest rate exposure and consider hedging significant interest rate risk should the need arise.

The effective interest rates and terms of repayment of the bank and other borrowings of the Group are set out in note 26.

Management considers that the Group's exposure to future cash flow risk on variable-rate bank deposits as a result of the change of market interest rate is insignificant and thus variable-rate bank deposits are not included in the sensitivity analysis.

A 100 basis point change is used which represents management's assessment of the reasonably possible change in interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB and USD interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Decrease/ (increase) in profit before tax HK$'000**
Year ended 31 December 2024		
RMB	**100/(100)**	**5,432/(5,432)**
Year ended 31 December 2023		
RMB	100/(100)	4,157/(4,157)

38. Financial risk management objectives and policies (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HK$. The Group is exposed to foreign currency risk mainly arising from the exposure of HK$ against RMB.

The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The Group has transactional currency exposures. Such exposures arise from the sales or purchases by operating units in currencies other than the units' functional currencies. The Group assesses the respective exposures of each of its operating units.

The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is the Group's policy to negotiate the terms of hedge derivatives to match the terms of the hedged item to maximise the effectiveness of the hedge.

As at 31 December 2024, if HK$ had weakened/strengthened by 10% against the RMB with all other variables held constant, the Group's profit before tax for the year would have been HK$107,000 (2023: HK$128,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of bank deposits denominated in RMB.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group will request credit enhancements from customers and implement other necessary measures to contain the risk if payments were default.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

38. Financial risk management objectives and policies (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2024

	12-month ECL	Lifetime ECL			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	847,879	847,879
Notes receivables**	369,006	–	–	–	369,006
Financial assets included in prepayments, other receivables and other assets***					
– Normal	100,080	–	–	–	100,080
– Underperforming	–	21,598	–	–	21,598
– Loss	–	–	187,869	–	187,869
Amounts due from associates	–	–	365,571	–	365,571
Restricted deposits	27,835	–	–	–	27,835
Pledged deposits	282,421	–	–	–	282,421
Cash and cash equivalents	402,329	–	–	–	402,329
	1,181,671	21,598	553,440	847,879	2,604,588

As at 31 December 2023

	12-month ECL	Lifetime ECL			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	736,663	736,663
Notes receivables**	1,063,543	–	–	–	1,063,543
Financial assets included in prepayments, other receivables and other assets***					
– Normal	151,002	–	–	–	151,002
– Loss	–	–	144,619	–	144,619
Amounts due from associates	–	–	54,773	–	54,773
Amounts due from related companies	2,130	–	–	–	2,130
Restricted deposits	26,494	–	–	–	26,494
Pledged deposits	289,175	–	–	–	289,175
Cash and cash equivalents	975,093	–	–	–	975,093
Guarantees given to a bank in connection with facilities granted to an associate					
– Facilities drawn but not yet past due	201,159	–	–	–	201,159
	2,708,596	–	199,392	736,663	3,644,651

38. Financial risk management objectives and policies (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

** For note receivables to which the Group applies the low credit risk simplification, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

*** The credit quality of the financial assets included in prepayment, other receivables and other assets is considered to be "normal" when they are not past due. The credit quality of the financial assets is considered to be "underperforming" when there is information indicating that the financial assets had a significant increase in credit risk since initial recognition. The credit quality of the financial assets is considered to be "loss" when they are credit impaired.

The Group determines the concentration of credit risk by monitoring the locations of its customers. The table below shows an analysis of credit risk exposures of trade and notes receivables which constituted approximately 53% (2023: 52%) of the Group's total financial assets as at 31 December 2024.

	2024 HK$'000	2023 HK$'000
By location:		
Mainland China	**859,386**	1,493,725
Asia (excluding Mainland China)	**87,521**	26,525
North America	**–**	1,165
Europe	**259**	10,914
	947,166	1,532,329

The Group has concentration of credit risks with exposure limited to certain customers. The Group's largest debtor and five largest customers contributed approximately 15% and 0% (2023: approximately 9% and 5%) of the trade receivables, net of provision respectively as at 31 December 2024.

Liquidity risk

In preparing the consolidated financial statements, the directors of the Company after taking into account of internally generated funds from its operations and the successful renewals of the bank loans during the year and after the reporting date as set out in note 2.1 to the financial statements, are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the end of the reporting period.

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through bank and other borrowings to meet its working capital requirements and capital expenditure.

As disclosed in note 26 to the consolidated financial statements, certain bank loans are subject to the fulfillments of covenants relating to certain of the Group's consolidated statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach these covenants, the related loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2024, the Group was in compliance with these covenants.

38. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2024					
	Repayable on demand HK$'000	Less than three months HK$'000	Three to less than twelve months HK$'000	One to five years HK$'000	More than five years HK$'000	Total undiscounted cash flows HK$'000
Trade and notes payables	–	1,207,900	–	–	–	1,207,900
Financial liabilities included in other payables and accruals	–	588,813	–	–	–	588,813
Bank loans	–	679,884	2,055,891	920,240	–	3,656,015
Lease liabilities	–	68,441	154,767	225,655	–	448,863
Due to related companies	5,152	–	–	–	–	5,152
Other long-term liabilities	–	–	–	33,477	42,223	75,700
	5,152	2,545,038	2,210,658	1,179,372	42,223	5,982,443

	2023					
	Repayable on demand HK$'000	Less than three months HK$'000	Three to less than twelve months HK$'000	One to five years HK$'000	More than five years HK$'000	Total undiscounted cash flows HK$'000
Trade and notes payables	–	1,448,874	–	–	–	1,448,874
Financial liabilities included in other payables and accruals	–	575,642	–	–	–	575,642
Bank loans	–	1,567,707	2,465,500	1,020,950	–	5,054,157
Lease liabilities	–	41,015	119,194	78,406	–	238,615
Due to related companies	1,062	–	–	–	–	1,062
Other long-term liabilities	–	–	6,842	27,367	20,525	54,734
Guarantees given to a bank in connection with facilities granted to an associate	201,159	–	–	–	–	201,159
	202,221	3,633,238	2,591,536	1,126,723	20,525	7,574,243

In addition to the above, the Group is also exposed to liquidity risk within one year from each reporting date. This risk pertains to potential maximum losses and cash outflows that may arise if the issuing banks fail to honour their obligations related to the Group's Derecognised Notes with full recourse. For detailed information, please refer to note 21.

38. Financial risk management objectives and policies (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The Group monitors capital using a net gearing ratio, which is net debt divided by equity attributable to owners of the Company. Net debt is calculated as the sum of interest-bearing bank and other borrowings, less cash and cash equivalents, restricted deposits and pledged deposits. The net gearing ratios at the end of the reporting periods were as follows:

	Notes	31 December 2024 HK$'000	31 December 2023 HK$'000
Interest-bearing bank and other borrowings	26	**3,945,580**	5,120,617
Less: Cash and cash equivalents	23	**(402,329)**	(975,579)
Less: Restricted deposits	23	**(27,835)**	(26,494)
Less: Pledged deposits	23	**(282,421)**	(289,175)
Net debt		**3,232,995**	3,829,369
Equity attributable to owners of the Company		**2,361,610**	3,142,150
Net gearing ratio		**136.9%**	121.9%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the financial covenant requirements of loan agreements with external parties as set out in note 26 to the financial statements.

Dividend policy

The Company adopts a dividend policy pursuant to which the Board at its discretion regularly proposes to shareholders for approval of a distribution of dividend, if any, on a semi-annual basis taking into consideration the following factors: (a) the Company's overall results of operation; (b) the Company's financial position; (c) the Company's capital requirements; (d) the Company's shareholders' interests; (e) the Company's future prospects; and (f) other factors that the Board deems relevant. Any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the Companies Act, including, inter alia, the approval of the Company's shareholders. In addition, subject to shareholders' approval at general meeting, the Company may also declare special distributions.

39. Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the year is as follows:

	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**–**	–
CURRENT ASSETS		
Other receivables	**650**	294
Amounts due from subsidiaries	**1,982,475**	2,517,355
Cash and cash equivalents	**2,307**	582
	1,985,432	2,518,231
CURRENT LIABILITIES		
Other payables and accruals	**98,616**	32,793
	98,616	32,793
NET CURRENT ASSETS	**1,886,816**	2,485,438
NET ASSETS	**1,886,816**	2,485,438
EQUITY		
Issued capital	**342,846**	342,846
Reserves (note)	**1,543,970**	2,142,592
TOTAL EQUITY	**1,886,816**	2,485,438

Zhang Yi
Director

Zhang He
Director

39. Statement of financial position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2023	2,618,617	312	(446,415)	2,172,514
Loss for the year	–	–	(29,922)	(29,922)
At 31 December 2023 and 1 January 2024	**2,618,617**	**312**	**(476,337)**	**2,142,592**
Loss for the year	**–**	**–**	**(598,622)**	**(598,622)**
At 31 December 2024	**2,618,617**	**312**	**(1,074,959)**	**1,543,970**

40. Approval of the financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 14 March 2025.

Past Performance and Forward Looking Statements

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

Glossary of Terms

2023 AGM	the annual general meeting of the Company held on Friday, 19 January 2024 at 11:00 a.m. at United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong
2024 AGM	the annual general meeting of the Company to approve, among other matters, the annual results of the Company and its subsidiaries for the year ended 31 December 2023
Alloy Products	silicomanganese alloy and ferromanganese
Audit Committee	audit committee of the Board
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 annual 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)

Glossary of Terms

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
Dushan Jinmeng	獨山金孟錳業有限公司 (Dushan Jinmeng Manganese Industry Co., Ltd.)
DXML	大新大錳錳業有限公司 (Daxin Dameng Manganese Limited Company)
EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
EMM Products	EMM and manganese briquette
Gabon	the Gabonese Republic
GMG	Greenway Mining Group Limited (信盛礦業集團有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009, which we hold approximately 23.99% shareholding
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC
Guangxi Dameng	廣西大錳錳業集團有限公司 (Guangxi Dameng Manganese Industry Group Co., Ltd.), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is 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 Board
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 Board

Glossary of Terms

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
South Manganese Group	南方錳業集團有限責任公司 (South Manganese Group Limited)
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)
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.

LUCID WATERS AND LUSH MOUNTAINS ARE INVALUABLE