

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



South Manganese Investment Limited

南方錳業投資有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1091)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$5,733.3 million for 1H 2024, representing a decrease of 25.9% from HK\$7,732.5 million of 1H 2023.
- Gross profit amounted to HK\$282.1 million for 1H 2024, representing a decrease of 56.9% from HK\$655.0 million of 1H 2023. Gross profit margin was 4.9% for 1H 2024, representing a decrease of 3.6 percentage points from 8.5% for 1H 2023.
- Operating loss amounted to HK\$10.4 million for 1H 2024 (1H 2023: profit of HK\$184.1 million).
- In 1H 2024, impairment losses on financial assets, net, increased to HK\$100.8 million (1H 2023: HK\$6.7 million).
- Loss attributable to owners of the Company amounted to HK\$162.8 million for 1H 2024 (1H 2023: profit of HK\$134.9 million).

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

Six months ended 30 June 2024

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
REVENUE	3	5,733,287	7,732,538
Cost of sales		(5,451,219)	(7,077,578)
Gross profit		282,068	654,960
Other income and gains	3	67,391	64,026
Selling and distribution expenses		(66,651)	(84,472)
Administrative expenses		(239,822)	(312,143)
Impairment losses on financial assets, net	5	(100,810)	(6,699)
Finance costs	4	(47,691)	(119,566)
Other expenses		(5,655)	(18,663)
Share of profits and losses of associates		(24,505)	(70)
(LOSS)/PROFIT BEFORE TAX	5	(135,675)	177,373
Income tax expense	6	(41,859)	(43,821)
(LOSS)/PROFIT FOR THE PERIOD		(177,534)	133,552
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
– Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		(1,084)	93
– Exchange differences on translation of foreign operations		(17,528)	(132,319)
		(18,612)	(132,226)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(196,146)	1,326

	Six months ended 30 June	
	2024	2023
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to:		
Owners of the Company	(162,783)	134,903
Non-controlling interests	(14,751)	(1,351)
	<u>(177,534)</u>	<u>133,552</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	(192,955)	(8,599)
Non-controlling interests	(3,191)	9,925
	<u>(196,146)</u>	<u>1,326</u>
Earnings per share attributable to owners of the Company		
	<i>7</i>	
– Basic	<u>HK\$(0.0475)</u>	<u>HK\$0.0393</u>
– Diluted	<u>HK\$(0.0475)</u>	<u>HK\$0.0393</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	<i>Notes</i>	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		4,067,772	4,007,729
Investment properties		98,507	99,208
Right-of-use assets		473,561	490,541
Intangible assets		210,566	214,033
Investments in associates		84,535	109,713
Deferred tax assets		16,458	11,908
Prepayments and other assets		55,102	92,457
		<hr/>	<hr/>
Total non-current assets		5,006,501	5,025,589
CURRENT ASSETS			
Inventories		1,497,563	1,681,920
Trade and notes receivables	9	1,203,435	1,532,329
Prepayments, other receivables and other assets		1,773,940	1,832,353
Due from associates		212,572	–
Due from related companies		106	2,130
Tax recoverable		448	451
Restricted deposits		26,307	26,494
Pledged deposits		543,399	289,175
Cash and cash equivalents		1,061,232	975,579
		<hr/>	<hr/>
Total current assets		6,319,002	6,340,431
CURRENT LIABILITIES			
Trade and notes payables	10	1,725,843	1,448,874
Other payables and accruals		1,344,420	1,537,702
Interest-bearing bank and other borrowings		4,015,329	4,162,856
Due to related companies		6,840	1,062
Tax payable		71,791	81,200
		<hr/>	<hr/>
Total current liabilities		7,164,223	7,231,694
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(845,221)	(891,263)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,161,280	4,134,326
		<hr/>	<hr/>

	30 June	31 December
	2024	2023
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,190,067	957,761
Deferred tax liabilities	195,809	198,842
Other long-term liabilities	101,739	104,325
Deferred income	41,449	45,036
	<u>1,529,064</u>	<u>1,305,964</u>
Total non-current liabilities	<u>1,529,064</u>	<u>1,305,964</u>
NET ASSETS	<u>2,632,216</u>	<u>2,828,362</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	342,846	342,846
Reserves	2,605,349	2,799,304
	<u>2,948,195</u>	<u>3,142,150</u>
Non-controlling interests	<u>(315,979)</u>	<u>(313,788)</u>
Total equity	<u>2,632,216</u>	<u>2,828,362</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

1. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

1.1 Basis of preparation

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

In preparing the interim condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$845.2 million as at 30 June 2024. Subsequent to the end of the reporting period, the Group has successfully renewed or obtained new bank loans of HK\$221.3 million during the period from 1 July 2024 up to 15 August 2024. The directors of the Company, also taking into account of internally generated funds from its operations and successful renewals of bank loans during the period and after the reporting date, are of the opinion that, the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period. Accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

1.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of all new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to the Group's operations and effective for its accounting year beginning on 1 January 2024. The new and revised HKFRSs do not have a material effect on the Group's condensed consolidated interim financial statement.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

2. OPERATING SEGMENT INFORMATION

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

(a) Manganese mining segment (PRC and Gabon)

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

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

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

(c) Battery materials production segment (PRC)

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

(d) Other business segment (PRC and HK)

The other business segment principally comprises the trading of various commodities such as manganese ores, EMM, manganese alloys and non-manganese metals, sales of scraps, rental of investment properties and leasehold lands and investments in companies engaged in 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 operation. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs, production halt expenses as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, 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 banks 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 and transfers between group companies are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Manganese mining		EMM and alloying materials production	Battery materials production	Other business	Total
	PRC	Gabon	PRC	PRC	PRC & HK	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2024 (Unaudited)						
Segment revenue:						
Sales to external customers	62,852	591,426	1,160,859	797,934	3,120,216	5,733,287
Intersegment sales	–	89,870	–	–	–	89,870
Other income and gains from operations	2,074	646	26,284	16,528	16,973	62,505
	<u>64,926</u>	<u>681,942</u>	<u>1,187,143</u>	<u>814,462</u>	<u>3,137,189</u>	<u>5,885,662</u>
Reconciliation:						
Elimination of inter segment sales						<u>(89,870)</u>
Revenue, other income and gains from operations						<u>5,795,792</u>
Segment results	<u>(54)</u>	<u>80,305</u>	<u>(50,664)</u>	<u>193,992</u>	<u>(267,733)</u>	<u>(44,154)</u>
Reconciliations:						
Interest income						4,886
Corporate and other unallocated expenses						(54,452)
Finance costs (other than interest on lease liabilities)						<u>(41,955)</u>
Loss before tax						(135,675)
Income tax expense						<u>(41,859)</u>
Loss for the period						<u>(177,534)</u>
Assets and liabilities						
Segment assets	640,688	584,987	3,561,991	2,378,074	2,102,830	9,268,570
Reconciliations:						
Corporate and other unallocated assets						<u>2,056,933</u>
Total assets						<u>11,325,503</u>
Segment liabilities	430,392	435,264	900,503	300,676	1,001,006	3,067,841
Reconciliations:						
Corporate and other unallocated liabilities						<u>5,625,446</u>
Total liabilities						<u>8,693,287</u>

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

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods:		
Manganese mining	654,278	581,908
EMM and alloying materials production	1,160,859	1,615,881
Battery materials production	797,934	926,713
Other business	3,120,216	4,608,036
	5,733,287	7,732,538

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2024 (Unaudited)

Segments					Total <i>HK\$'000</i>
	Manganese mining <i>HK\$'000</i>	EMM and alloying materials production <i>HK\$'000</i>	Battery materials production <i>HK\$'000</i>	Other business <i>HK\$'000</i>	
Sale of goods	654,278	1,160,859	797,934	3,120,216	5,733,287
Geographical markets					
Mainland China	349,151	1,101,300	793,336	3,108,771	5,352,558
Asia (excluding Mainland China)	305,127	38,013	4,598	6,066	353,804
Europe	–	18,444	–	5,379	23,823
North America	–	3,102	–	–	3,102
Total revenue from contracts with customers	654,278	1,160,859	797,934	3,120,216	5,733,287
Timing of revenue recognition					
Goods transferred at a point in time with customers	654,278	1,160,859	797,934	3,120,216	5,733,287

For the six months ended 30 June 2023 (Unaudited)

Segments	Manganese mining <i>HK\$'000</i>	EMM and alloying materials production <i>HK\$'000</i>	Battery materials production <i>HK\$'000</i>	Other business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Sale of goods	581,908	1,615,881	926,713	4,608,036	7,732,538
Geographical markets					
Mainland China	381,876	1,496,693	915,791	4,608,036	7,402,396
Asia (excluding Mainland China)	200,032	51,162	10,922	–	262,116
Europe	–	4,870	–	–	4,870
North America	–	63,156	–	–	63,156
Total revenue from contracts with customers	<u>581,908</u>	<u>1,615,881</u>	<u>926,713</u>	<u>4,608,036</u>	<u>7,732,538</u>
Timing of revenue recognition					
Goods transferred at a point in time with customers	<u>581,908</u>	<u>1,615,881</u>	<u>926,713</u>	<u>4,608,036</u>	<u>7,732,538</u>

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income	4,886	10,162
Foreign exchange gains, net	3,325	–
Gains on disposal of items of property, plant and equipment	–	5,205
Subsidy income	34,713	22,703
Sale of scraps and other materials	9,065	8,500
Rental income	9,279	8,727
Others	6,123	8,729
	<u>67,391</u>	<u>64,026</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on loans and other payables	23,322	97,272
Finance costs for discounted notes receivable	17,617	15,928
Interest expenses on lease liabilities	5,736	6,327
Other finance costs	1,016	39
	<u>47,691</u>	<u>119,566</u>

5. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold [#]	5,407,822	7,061,689
Provision for inventories, net [#]	43,397	15,889
Depreciation of property, plant and equipment	184,940	209,328
Depreciation of right-of-use assets	35,521	17,113
Amortisation of intangible assets	1,965	2,562
Research and development costs	37,869	48,310
Auditor's remuneration	2,649	2,261
Employee benefit expenses	290,948	377,325
Losses/(gains) on disposal of items of property, plant and equipment [*]	2,257	(5,205)
Foreign exchange differences, net [*]	(3,325)	896
(Reversals of impairment losses)/impairment losses on financial assets, net, included in:		
– trade and notes receivables and other receivables	(7,895)	6,699
– amounts due from associates	108,705	–
	<u>100,810</u>	<u>6,699</u>
Variable lease payments not included in the measurement of lease liabilities (included in cost of inventories sold)	1,596	3,270
Expenses relating to leases of low-value assets [^]	2,701	4,432
	<u>2,701</u>	<u>4,432</u>

- # Included in “Cost of sales” in the interim condensed consolidated statement of profit or loss and other comprehensive income.
- * Included in “Other income and gains” (note 3) or “Other expenses” in the interim condensed consolidated statement of profit or loss and other comprehensive income.
- ^ Included in “Selling and distribution expenses” or “Administrative expenses” in the interim condensed consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX EXPENSES

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.

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

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	27,707	7,438
Current – Hong Kong		
Charge for the period	3,281	2,365
Current – Gabon		
Charge for the period	17,387	19,275
Deferred	(6,516)	14,743
	<hr/>	<hr/>
Total tax charge for the period	<u>41,859</u>	<u>43,821</u>

Hong Kong profits tax

Hong Kong profits tax for the six months ended 30 June 2024 and 2023 has been provided at the rate of 16.5% on the estimated assessable profits for the period.

PRC corporate income tax (“CIT”)

Pursuant to the PRC Income Tax Law and the respective regulations, each of South Manganese Group, Qinzhou Dameng New Materials Co., Ltd and Huiyuan Manganese is recognized as a High and New Technology Enterprise and is entitled to a preferential CIT rate of 15% up to 2025, 2025 and 2026 respectively.

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

Guangxi Daxin Huiyuan New Energy Technology Co., Ltd is entitled to a preferential CIT rate of 15% (an exemption of 40% CIT) for Developing Guangxi North Bay for which the policy will be expired 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.

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The calculation of basic and diluted earnings per share are based on:		
Earnings		
Earnings attributable to owners of the Company, used in the basic earnings per share calculation	<u>(162,783)</u>	<u>134,903</u>
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>3,428,459,000</u>	<u>3,428,459,000</u>

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 nor the six months ended 30 June 2023.

8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: Nil).

9. TRADE AND NOTES RECEIVABLES

	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Trade receivables	792,025	736,663
Less: Impairment provision	<u>(260,256)</u>	<u>(267,877)</u>
	531,769	468,786
Notes receivable	<u>671,666</u>	<u>1,063,543</u>
	<u>1,203,435</u>	<u>1,532,329</u>

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

	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Within one month	296,763	232,695
One to two months	98,447	113,945
Two to three months	67,331	60,973
Over three months	<u>69,228</u>	<u>61,173</u>
	<u>531,769</u>	<u>468,786</u>

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

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

10. TRADE AND NOTES PAYABLES

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

	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Within one month	760,103	571,437
One to two months	170,935	139,896
Two to three months	272,697	96,379
Over three months	522,108	641,162
	1,725,843	1,448,874

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

	1H 2024	1H 2023	Increase/(decrease)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Revenue	<u>5,733,287</u>	<u>7,732,538</u>	<u>(1,999,251)</u>	<u>(25.9)</u>
Gross profit	282,068	654,960	(372,892)	(56.9)
Gross profit margin	<u>4.9%</u>	8.5%	N/A	<u>(3.6)</u>
Operating (loss)/profit	(10,360)	184,142	(194,502)	(105.6)
Impairment losses on financial assets, net	(100,810)	(6,699)	94,111	1,404.9
Share of profits and losses of associates	<u>(24,505)</u>	<u>(70)</u>	<u>24,435</u>	<u>34,907.1</u>
(Loss)/profit before tax	(135,675)	177,373	(313,048)	(176.5)
Income tax expense	<u>(41,859)</u>	<u>(43,821)</u>	<u>(1,962)</u>	<u>(4.5)</u>
(Loss)/profit for the period	<u>(177,534)</u>	<u>133,552</u>	<u>(311,086)</u>	<u>(232.9)</u>
(Loss)/profit for the period attributable to owners of the Company	(162,783)	134,903	(297,686)	(220.7)
Loss for the period attributable to non-controlling interests	<u>(14,751)</u>	<u>(1,351)</u>	<u>13,400</u>	<u>991.9</u>
	<u>(177,534)</u>	<u>133,552</u>	<u>(311,086)</u>	<u>(232.9)</u>

OVERVIEW

Steel sector is our major downstream industry, with its demand for our EMM Products largely arising from consumptions within China. In 1H 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 1H 2024 amid there was a short-term supply crunch on manganese ores and its related downstream products including EMM Products. The supply crunch was mainly due to a production halt of a major oversea manganese ore mine due to extreme weather. As a result, the average selling price of our EMM Products for 1H 2024 decreased by 15.8% to HK\$12,366 per tonne (1H 2023: HK\$14,695 per tonne). The gross profit margin of EMM Products decreased by 5.4 percentage points to 12.2% in 1H 2024 (1H 2023: 17.6%) and the gross profit contribution of EMM Products decreased by 40.5% to HK\$128.7 million in 1H 2024 (1H 2023: HK\$216.1 million).

In 1H 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, the well established supply chain for electric vehicle production including battery materials production in China was irreplaceable. The strong sales performance of electric vehicles upheld 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. In 1H 2024, the average selling price of EMD decreased by 4.2% to HK\$15,245 per tonne (1H 2023: HK\$15,916 per tonne), the gross profit margin decreased by 2.5 percentage points to 42.0% (1H 2023: 44.5%) and the gross profit contribution of EMD recorded a decrease of 14.4% to HK\$247.5 million (1H 2023: HK\$289.1 million).

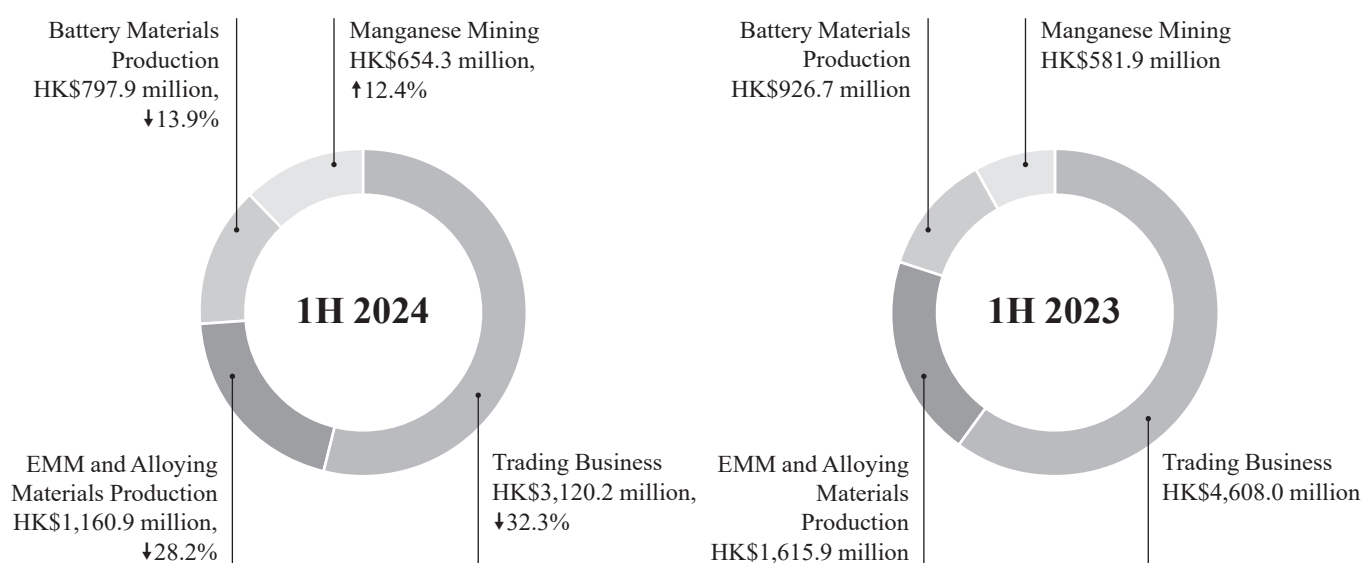
In 1H 2024, the Group recognized an impairment loss on amount due from our 33.00%-owned associate Dushan Jinneng of HK\$108.7 million. Since the year 2015, the Group had provided a corporate guarantee for bank facilities granted to Dushan Jinneng according to the shareholding percentage on a several basis. The associate's banking facilities amounted to RMB800.0 million (equivalent to HK\$880.2 million) and the portion guaranteed by the Group amounted to RMB264.0 million (equivalent to HK\$290.5 million). During 1H 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\$290.5 million) and accrued interest of RMB28.8 million (equivalent to HK\$31.7 million) to the bank. According to relevant PRC laws,

the Group, after assuming the guarantee liability, is entitled to seek recompensation from Dushan Jinneng. To minimize the loss, Dushan Jinneng’s leasehold land and certain of its property, plant and equipment were pledged to the Group to secure the repayment of the settlement amount. As a result, an impairment loss of HK\$108.7 million was provided for the above settlement sum of HK\$322.2 million in 1H 2024 after taking into account the above collaterals.

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 1H 2024 was HK\$10.4 million (1H 2023: profit of HK\$184.1 million). Also, as a result of the loss recognized from the settlement of abovementioned guarantee liability, the earnings before interest, taxes, depreciation and amortisation (“EBITDA”) for 1H 2024 decreased by 74.9% to HK\$129.6 million (1H 2023: HK\$515.8 million) and the loss attributable to owners of the Company in 1H 2024 was HK\$162.8 million (1H 2023: profit of HK\$134.9 million).

COMPARISON WITH SIX MONTHS ENDED 30 JUNE 2023

Revenue by segment



In 1H 2024, the Group’s revenue was HK\$5,733.3 million (1H 2023: HK\$7,732.5 million), representing a decrease of 25.9% as compared with 1H 2023. The decrease was mainly due to (a) decrease in average selling prices of EMM Products and Alloy Products; (b) decrease in sales volume of Alloy Products; and (c) decrease in sales revenue from trading business.

In 1H 2024, revenue of our major products EMM Products accounted for 18.4% (1H 2023: 15.9%) 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 (%)
Six months ended 30 June 2024							
Gabon ore	760,414	778	591,426	650	493,922	97,504	16.5
Manganese concentrate	137,747	348	47,999	331	45,556	2,443	5.1
Natural discharging manganese powder and sand	6,240	2,380	14,853	599	3,738	11,115	74.8
Total	904,401	723	654,278	601	543,216	111,062	17.0
Six months ended 30 June 2023							
Gabon ore	593,476	867	514,569	673	399,627	114,942	22.3
Manganese concentrate	163,879	354	57,952	318	52,127	5,825	10.1
Natural discharging manganese powder and sand	3,533	2,657	9,387	522	1,843	7,544	80.4
Total	760,888	765	581,908	596	453,597	128,311	22.1

In 1H 2024, revenue of manganese mining segment increased by 12.4% to HK\$654.3 million (1H 2023: HK\$581.9 million) mainly due to increase in sales volume of Gabon ore because of short-term supply crunch of manganese ores in the market since the second quarter of 2024. However, the decrease in average selling price of Gabon ore led to decrease in gross profit of manganese mining segment by 13.4% to HK\$111.1 million (1H 2023: HK\$128.3 million).

In 1H 2024, the manganese mining segment recorded a profit of HK\$80.3 million (1H 2023: HK\$75.0 million), representing an increase of 7.0%.

EMM and alloying materials production segment

	Sales Volume (tonnes)	Average Selling Price (HK\$/tonne)	Revenue (HK\$'000)	Unit Cost of Sales (HK\$/tonne)	Cost of Sales (HK\$'000)	Gross Profit/(Loss) (HK\$'000)	Gross Profit/(Loss) Margin (%)
Six months ended 30 June 2024							
EMM	80,815	12,373	999,892	10,837	875,814	124,078	12.4
Manganese briquette	4,603	12,249	56,384	11,254	51,801	4,583	8.1
	85,418	12,366	1,056,276	10,860	927,615	128,661	12.2
Alloy Products	12,356	6,982	86,269	6,461	79,826	6,443	7.5
Others	28,896	634	18,314	512	14,801	3,513	19.2
Total	126,670	9,164	1,160,859	8,070	1,022,242	138,617	11.9
Six months ended 30 June 2023							
EMM	76,133	14,634	1,114,095	12,067	918,680	195,415	17.5
Manganese briquette	7,473	15,320	114,489	12,551	93,791	20,698	18.1
	83,606	14,695	1,228,584	12,110	1,012,471	216,113	17.6
Alloy Products	49,483	7,541	373,143	8,044	398,024	(24,881)	(6.7)
Others	24,630	575	14,154	580	14,277	(123)	(0.9)
Total	157,719	10,245	1,615,881	9,034	1,424,772	191,109	11.8

Revenue of EMM and alloying materials production segment decreased by 28.2% to HK\$1,160.9 million in 1H 2024 (1H 2023: HK\$1,615.9 million) mainly attributable to the followings:

- (a) EMM Products continued to be our major products in terms of revenue and the average selling price of EMM Products recorded a decrease of 15.8% to HK\$12,366 per tonne (1H 2023: HK\$14,695 per tonne).
- (b) Revenue of Alloy Products decreased by 76.9% to HK\$86.3 million in 1H 2024 (1H 2023: HK\$373.1 million) mainly attributable to (i) decrease in sales volume of Alloy Products by 75.0% to 12,356 tonnes (1H 2023: 49,483 tonnes) as productions were halted in 1H 2024; and (ii) decrease in average selling price of Alloy Products by 7.4% to HK\$6,982 per tonne in 1H 2024 (1H 2023: HK\$7,541 per tonne).

As a result of decrease in average selling prices of EMM Products, the gross profit contribution of EMM and alloying materials production segment decreased by 27.5% to HK\$138.6 million (1H 2023: HK\$191.1 million). Mainly due to the loss recognized from the settlement of guarantee liability for a corporate guarantee provided by the Group in respect of banking facilities granted to Dushan Jinneng of HK\$108.7 million, this segment recorded a loss of HK\$50.7 million (1H 2023: profit of HK\$84.0 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 (%)
Six months ended 30 June 2024							
EMD	38,637	15,245	589,002	8,840	341,550	247,452	42.0
Manganese sulfate	22,118	3,069	67,873	3,164	69,982	(2,109)	(3.1)
Lithium manganese oxide	3,743	36,623	137,080	37,127	138,968	(1,888)	(1.4)
NCM	0.4	72,500	29	57,500	23	6	20.7
Trimanganese tetraoxide	318	12,421	3,950	12,374	3,935	15	0.4
Total	64,816	12,311	797,934	8,554	554,458	243,476	30.5
Six months ended 30 June 2023							
EMD	40,784	15,916	649,102	8,827	359,990	289,112	44.5
Manganese sulfate	13,209	3,279	43,315	2,481	32,769	10,546	24.3
Lithium manganese oxide	3,008	77,891	234,296	92,437	278,051	(43,755)	(18.7)
NCM	-	-	-	-	-	-	-
Trimanganese tetraoxide	-	-	-	-	-	-	-
Total	57,001	16,258	926,713	11,768	670,810	255,903	27.6

In 1H 2024, revenue of battery materials production segment decreased by 13.9% to HK\$797.9 million (1H 2023: HK\$926.7 million) and gross profit of this segment decreased by 4.9% to HK\$243.5 million (1H 2023: HK\$255.9 million) mainly attributable to the followings:

- (a) EMD continued to be our major battery material product and the average selling price of EMD decreased by 4.2% to HK\$15,245 per tonne (1H 2023: HK\$15,916 per tonne) and the sales volume of EMD decreased by 5.3% to 38,637 tonnes (1H 2023: 40,784 tonnes).
- (b) In 1H 2024, the average selling price of lithium manganese oxide decreased by 53.0% to HK\$36,623 per tonne (1H 2023: HK\$77,891 per tonne). The gross loss of lithium manganese oxide in 1H 2024 decreased as the price of its major raw material lithium carbonate became less volatile.

As a result of reduction in administrative expenses, the results of battery materials production segment recorded a profit of HK\$194.0 million (1H 2023: HK\$172.9 million), representing an increase of 12.2%.

Other business segment

	Revenue (HK\$ '000)	Cost of Sales (HK\$ '000)	Gross Profit/(Loss) (HK\$ '000)	Gross Profit/(Loss) Margin (%)
Six months ended 30 June 2024				
Trading	<u>3,120,216</u>	<u>3,331,303</u>	<u>(211,087)</u>	<u>(6.8)</u>
Six months ended 30 June 2023				
Trading	<u>4,608,036</u>	<u>4,528,399</u>	<u>79,637</u>	<u>1.7</u>

Revenue of other business segment decreased to HK\$3,120.2 million in 1H 2024 (1H 2023: HK\$4,608.0 million), representing a decrease of 32.3%. The gross loss was mainly because of decrease in selling price of manganese ores in 1H 2024.

Cost of Sales

Total cost of sales decreased by 23.0% to HK\$5,451.2 million in 1H 2024 (1H 2023: HK\$7,077.6 million) in line with decrease of revenue.

Gross Profit

In 1H 2024, the Group recorded a gross profit of HK\$282.1 million (1H 2023: HK\$655.0 million), which represented a decrease of HK\$372.9 million from 1H 2023, or 56.9%. The Group's overall gross profit margin was 4.9%, representing a decrease of 3.6 percentage points from 8.5% in 1H 2023. Overall gross profit margin decreased mainly attributable to decrease in average selling price of EMM Products and gross loss from trading business.

Other Income and Gains

Other income and gains increased by 5.3% to HK\$67.4 million in 1H 2024 (1H 2023: HK\$64.0 million) mainly due to increase in subsidy income.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 1H 2024 decreased by 21.1% to HK\$66.7 million (1H 2023: HK\$84.5 million) mainly attributable to decrease in transportation costs as the sales volume of Alloy Products decreased.

Administrative Expenses

Administrative expenses decreased by 23.2% to HK\$239.8 million in 1H 2024 (1H 2023: HK\$312.1 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 Financial Assets, Net

The amount mainly represented impairment allowance on amount due from our 33.00%-owned associate Dushan Jinneng of HK\$108.7 million arising from the settlement of guarantee liability for a corporate guarantee provided by the Group in respect of banking facilities granted to Dushan Jinneng.

Finance Costs

For 1H 2024, the Group's finance costs were HK\$47.7 million (1H 2023: HK\$119.6 million), representing a decrease of 60.1% which was mainly attributable to a reversal of accrued interest amounted to HK\$60.3 million on social insurance contribution payables as the amount was waived under the new statutory requirements since 1 January 2024.

Other Expenses

Other expenses of HK\$5.7 million in 1H 2024 (1H 2023: HK\$18.7 million) mainly represented loss on disposal of items of property, plant and equipment.

Share of Profits and Losses of Associates

In 1H 2024, share of losses of associates of HK\$24.5 million (1H 2023: HK\$70,000) mainly represented share of losses of 16.00%-owned associate Qingdao Manganese of HK\$22.8 million.

Income Tax Expense

In 1H 2024, the effective tax rate was -30.9% (1H 2023: 24.7%) which was negative because certain subsidiaries recording losses in the period did not recognize deferred tax arising from such losses for prudence.

Loss Attributable to Owners of the Company

For 1H 2024, the Group's loss attributable to owners of the Company was HK\$162.8 million (1H 2023: profit of HK\$134.9 million).

Earnings per Share

For 1H 2024, earnings per share attributable to owners of the Company was -HK\$0.0475 (1H 2023: HK\$0.0393).

Interim Dividend

The Board does not recommend the payment of any interim dividend for 1H 2024 (1H 2023: Nil).

Liquidity and Financial Resources

Cash and Bank Balances

At 30 June 2024, the currency denomination of the Group's cash and bank balances including restricted deposits and pledged deposits are as follows:

Currency denomination	30 June 2024 <i>HK\$ million</i>	31 December 2023 <i>HK\$ million</i>
Denominated in:		
RMB	1,590.3	1,259.7
HKD	8.9	2.6
USD	26.0	25.9
XAF	0.7	2.9
EUR	5.0	0.1
	<u>1,630.9</u>	<u>1,291.2</u>

At 30 June 2024, our cash and bank balances including restricted deposits and pledged deposits were HK\$1,630.9 million (31 December 2023: HK\$1,291.2 million) while the Group's borrowings amounted to HK\$5,205.4 million (31 December 2023: HK\$5,120.6 million). The Group's borrowings net of cash and bank balances amounted to HK\$3,574.5 million (31 December 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

At 30 June 2024, trade and notes receivables of the Group decreased by HK\$328.9 million to HK\$1,203.4 million (31 December 2023: HK\$1,532.3 million) in line with decrease of revenue.

Net Current Liabilities

At 30 June 2024, the Group's net current liabilities slightly decreased to HK\$845.2 million (31 December 2023: HK\$891.3 million).

Bank and Other Borrowings

At 30 June 2024, the Group's borrowing structure and maturity profile are as follows:

	30 June	31 December
	2024	2023
	<i>HK\$ million</i>	<i>HK\$ million</i>
Borrowing structure		
Secured borrowings (including lease liabilities)	1,319.4	813.1
Unsecured borrowings	3,886.0	4,307.5
	5,205.4	5,120.6
	5,205.4	5,120.6
Maturity profile		
	30 June	31 December
	2024	2023
	<i>HK\$ million</i>	<i>HK\$ million</i>
Repayable:		
Within one year or on demand	4,015.3	4,162.8
In the second year	475.2	260.4
In the third to fifth years, inclusive	714.9	697.4
	5,205.4	5,120.6
	5,205.4	5,120.6
Currency denomination		
	30 June	31 December
	2024	2023
	<i>HK\$ million</i>	<i>HK\$ million</i>
Denominated in:		
RMB	5,201.6	5,117.1
USD	1.8	0.4
HK\$	2.0	3.1
	5,205.4	5,120.6
	5,205.4	5,120.6

At 30 June 2024, borrowings as to the amounts of HK\$4,763.9 million (31 December 2023: HK\$4,704.9 million) and HK\$441.5 million (31 December 2023: HK\$415.7 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 1.47% to 8.25%. The floating rate borrowings comprise RMB denominated loans that carry interest up to a premium up to 45 basis points above the China Loan Prime Rate.

Overall, aggregate borrowings slightly increased to HK\$5,205.4 million as at 30 June 2024 (31 December 2023: HK\$5,120.6 million). The Group continues to explore various means including short-term or medium-term notes and more long-term bank loans to improve borrowing structure in terms of interest rate level and repayment terms.

Charge on Group Assets

At 30 June 2024, (a) right-of-use assets of HK\$21.9 million (31 December 2023: HK\$29.0 million) related to property, plant and equipment were held under leases; (b) bank balances of HK\$543.4 million (31 December 2023: HK\$289.2 million) were pledged to secure certain of the Group's bank acceptance notes payable; (c) property, plant and equipment and leasehold lands of HK\$813.0 million (31 December 2023: HK\$579.9 million) and trade receivables of HK\$45.4 million (31 December 2023: HK\$45.8 million) were pledged to secure certain of the Group's bank and other borrowings; and (d) bank balances of HK\$26.3 million (31 December 2023: HK\$26.5 million) were restricted to secure certain potential claims from disputes with customers.

Key Financial Ratios of the Group

	30 June 2024	31 December 2023
Current ratio	0.88	0.88
Quick ratio	0.67	0.64
Net Gearing ratio	121.2%	121.9%

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

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

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

At 30 June 2024, current ratio, quick ratio and net gearing ratio remained stable compared with 31 December 2023.

Liquidity risk and going concern basis

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

In preparing the interim condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$845.2 million as at 30 June 2024. Subsequent to the end of the reporting period, the Group has successfully renewed or obtained new bank loans of HK\$221.3 million during the period from 1 July 2024 up to 15 August 2024. The directors of the Company, also taking into account of internally generated funds from its operations and successful renewals of bank loans during the period and after the reporting date, are of the opinion that, the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period. Accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

Credit Risk

The Group endeavoured to maintain strict control over its outstanding receivables to minimise credit risk. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one to three months from the invoice date and cash realization 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.

At 30 June 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. At 30 June 2024, trade receivables due from Customer A was HK\$232.0 million (31 December 2023: HK\$232.0 million) and represented 29.3% (31 December 2023: 31.5%) of the Group’s total trade receivables, which was totally overdue and fully provided as at 30 June 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.

At 30 June 2024, the amount due from Dushan Jinneng of HK\$320.8 million with an impairment loss of HK\$108.3 million was arising from the settlement of guarantee liability in 1H 2024 for a corporate guarantee provided by the Group on banking facilities granted to Dushan Jinneng since 2015. Dushan Jinneng’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 Dushan Jinneng does not repay the amount on or before 19 May 2027. The Group is monitoring the recoverability of the amount regularly and any deterioration of Dushan Jinneng’s financial status or decrease in collaterals’ value will increase the impairment loss further.

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our floating rate debt. Floating interest rates are subject to interest rate changes in the China Loan Prime Rate. If the China Loan Prime Rate increases, our finance costs will increase. In addition, to the extent that we may need to raise debt financing or roll over our short-term loans in the future, any upward fluctuations in interest rates will increase the costs of new debt obligations.

Foreign exchange risk

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

- (a) In respect of our trading operations in Hong Kong, our sales and purchases are both denominated in United States dollars. In addition, Hong Kong dollars is pegged to United States dollars and hence foreign exchange risk is minimal.
- (b) In respect of our mining and downstream operations in the PRC, our products are sold to local customers in RMB and to a less extent to overseas customers in United States dollars. Major expenses of our PRC operations are denominated in RMB. Our PRC operations face minimal foreign exchange risks except for the followings:

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

- (c) In respect of our Gabon operation, our income is substantially denominated in RMB and United States dollars and all major local operating expenses are denominated in RMB and XAF, which is pegged to EURO, while the freight charges are denominated 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

In 1H 2024, the global inflationary pressures were eased and the high interest rate policy among the Western countries might come to an end in the near short term. In China, the PRC government aimed at stimulating demand to boost its economy in order to recover from the low tide of property development industry.

As recovery of economy is highly uncertain, the Group will cautiously carry out our investment plans to strengthen our core competitiveness and will continue to focus on five business segment, i.e. ore and traditional manganese products, new energy materials, alloying materials, supply chain logistics and integrated solid waste recycling. The Group will also continue to improve internal efficiency and management skills to reduce costs and increase productivity and competitiveness, so as to carry on the good momentum in the following years.

As the second largest EMM manufacturer and supplier in China, we integrate the aims and requirements of the government to achieve “carbon peak and carbon neutrality”, work with the initiatives and plans of working committee of Metallurgical Mines’ Association of China EMM Innovation Alliance (“中國冶金礦山企業協會電解金屬錳創新聯盟”), strengthen the synergies of the industry with common objectives to improve and upgrade our industry, accelerate eco-friendly development and achieving sustainable development, which are achieving notable progress. The sector outlook is expected to be challenging in the second half of 2024 and beyond as steel manufacturers continue to face challenges, such as oversupply and rising production costs which weaken their demand for our EMM Products. To weather the storm, major players in EMM industry jointly promote and launch out measures such as production restriction to balance EMM supply and technical upgrades.

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

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2024, save for the deviation from the code provision C.2.1, the Company has applied the principles, complied with the applicable code provisions, and also complied with certain recommended best practices, of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Listing Rules.

CODE PROVISION C.2.1

Chairman and Chief Executive Officer

During the six months ended 30 June 2024, the posts of Chairman and Chief Executive Officer were combined and Mr. Li Weijian, the Chairman of the Board has also assumed the role of the Chief Executive Officer. This arrangement is in contravention of code provision C.2.1 of the CG Code. Mr. Li has considerable knowledge of the Company's assets and his experience is very highly valued by the Board. At a challenging time for the Company, the Board decided that Mr. Li was the best person to lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy which is determined by the Board. All major decisions are made in consultation with the Board members, appropriate Board committees or senior management of the Group. Mr. Li promotes a culture of openness and encourages the Directors to make a full and active contribution to the Board's affairs. During the six months ended 30 June 2024, the independent non-executive Directors of the Company offered strong and independent advice. All decisions have reflected the consensus of the Board. The Board is keeping this situation under review and will separate the role of Chairman and Chief Executive Officer when it is in the Company's best interests to do so.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

All Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the six months ended 30 June 2024.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2024 with the management of the Company.

FORWARD LOOKING STATEMENTS

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

Glossary of Terms

Alloy Products	silicomanganese alloy and ferromanganese
Audit Committee	audit committee of the Board
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
China or PRC	the People's Republic of China, but for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
Company or our Company	South Manganese Investment Limited, which is listed on the Stock Exchange (Stock Code: 1091.HK)
Director(s)	the director(s) of our Company
EMD	electrolytic manganese dioxide

EMM	electrolytic manganese metal
EMM Products	EMM and manganese briquette
Gabon	the Gabonese Republic
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC
Guangxi Start	廣西斯達特錳材料有限公司 (Guangxi Start Manganese Materials Co., Ltd.)
Hong Kong or HK	The Hong Kong Special Administrative Region of the PRC
Huiyuan Manganese	廣西滙元錳業有限公司 (Guangxi Huiyuan Manganese Industry Co., Ltd)
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
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
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

tonne

metric tonne

XAF

Central African CFA franc

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

By Order of the Board

SOUTH MANGANESE INVESTMENT LIMITED

Li Weijian

Chairman and Chief Executive Officer

Hong Kong, 16 August 2024

As at the date of this announcement, the executive Directors are Mr. Li Weijian, Mr. Zhang He, Mr. Xu Xiang and Mr. Li Junji; the non-executive Directors are Ms. Cui Ling and Mr. Pan Shenghai; and the independent non-executive Directors are Mr. Zhang Yupeng, Mr. Yuan Mingliang and Mr. Lo Sze Hung.