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South Manganese Investment Limited

南方錳業投資有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1091)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board of the Company wishes to inform the shareholders of the Company and potential investors that, based on a preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2020, the Group is expected to record a loss attributable to parent of the Company of approximately HK\$430.0 million for the year ended 31 December 2020, as compared to a loss attributable to parent of the Company of HK\$202.3 million for the year ended 31 December 2019.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by South Manganese Investment Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**HKSE**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors that, based on a preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2020, the Group is expected to record a loss attributable to parent of the Company of approximately HK\$430.0 million for the year ended 31 December 2020, as compared to a loss attributable to parent of the Company of HK\$202.3 million for the year ended 31 December 2019.

IMPAIRMENT LOSS ON THE COMPANY'S INVESTMENT IN AN ASSOCIATE, GMG

Greenway Mining Group Limited (“**GMG**”) is a company listed on the HKSE with Stock Code: 2133.HK and an associate of the Company, in which the Company indirectly holds approximately 23.99% equity interest as at the date of this announcement. As an associate of the Company, the investment in GMG has been recorded in the financial statements of the Group as “Investments in associates”, and “Due from an associate” and its results have been equity accounted for as “Share of profits and losses of associates”.

GMG published two announcements dated 19 March 2021 on HKSE's website on 21 March 2021 and have been further referred to in the next section of this announcement. Based on currently available information including the two announcements of GMG, there are various factors which are relevant to the recognition of an impairment loss of HK\$329.0 million (“**Impairment Loss**”). This impairment loss is in addition to our sharing through equity accounting for the year ended 31 December 2020 of GMG's expected net loss attributable to its parent of not less than RMB350.0 million (2019: RMB70.8 million) in which our share is not less than HK\$94.0 million.

Those factors for recognition of the Impairment Loss include underperformance of GMG in the second half of 2020 and ongoing review regarding the determination of GMG's operating targets going forward amidst the political and economic environment of the places in which GMG operates, the projected future financials of GMG's business and its viability to continue as a going concern. In particular, as disclosed in the previous annual and interim reports of GMG, it recorded a loss attributable to its owners of the parent for each of the five consecutive years ended 31 December 2019 and the half year ended 30 June 2020 and net current liabilities at each of the year end dates of the four consecutive years to 2019 and 30 June 2020.

Taking into account of the foregoing, the Company has applied an expected cash flow approach for the investment value of GMG, which reflects our estimated possible outcomes arising from different project assets of GMG in Myanmar and China, and considering the strategic development of GMG including its ongoing negotiation with its lender banker for loan restructuring. We have preliminarily assessed that the Impairment Loss should be recognised for the year ended 31 December 2020. As the Impairment Loss is only an accounting related adjustment for the year ended 31 December 2020 and non-cash in nature, it will not have any material adverse impact on the Group's current and future cash flow and daily operations.

PROFIT WARNING AND INSIDE INFORMATION ANNOUNCEMENTS OF GMG

As disclosed by GMG and more detailed in its announcement headed “PROFIT WARNING” dated 19 March 2021:

1. It is expected to record that the net loss attributable to parent of GMG will be substantially increased to not less than RMB350.0 million (not considering and excluding the impairment losses for relevant projects in Myanmar (if any)) for the year ended 31 December 2020 (2019: RMB70.8 million). The increase in net loss was mainly attributable to the impairment losses in GMG's mining assets and certain prepayment in China, which resulted from adverse impacts brought by factors including COVID-19 pandemic and the expected escalating mining and production costs and the falling selling price of GMG's products;
2. Due to (i) the continuing worsening of the emergency situation in Myanmar since early 2021, where the Myanmar military has recently imposed martial law in more areas across Myanmar, certain telecommunications had been interrupted and/or restricted and many countries have announced the arrangements for evacuation of their nationals; and (ii) the continuing spread of the COVID-19 pandemic, which resulted in certain travel prohibitions and/or restrictions imposed by the governments of Myanmar and China, difficulties were created for the collection of necessary audit evidence as required by GMG in the short term. It is expected that further impairment losses may be necessary upon the completion of audit which is expected to be completed upon the gradual recovery in Myanmar.

At the same time, as disclosed by GMG and more detailed in its another announcement headed "INSIDE INFORMATION" also dated 19 March 2021, it:

1. will not be able to issue its preliminary results announcement as agreed with its auditor in accordance with Rules 13.49(1) and (2) nor unaudited management accounts in accordance with Rule 13.49(3) of the Listing Rules for the year ended 31 December 2020;
2. currently expects that its shares will be suspended from trading on the HKSE with effect from 1 April 2021 pursuant to Rule 13.50 of the Listing Rules, until it publishes an announcement containing the requisite financial information;
3. believes that the effects of the recent turmoil in Myanmar and COVID-19 pandemic will impact on the assessment of its assets and operations in Myanmar and China. It is expected that further impairment adjustments will most likely be required for GMG's assets and businesses in Myanmar and China, which will have material and adverse impacts on its results in respect of the financial year ended 31 December 2020; and
4. is proactively advancing the refinancing and is in the course of loan restructuring and negotiation with its sole and major lender banker.

INCREASE IN OUR EXPECTED LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board considered that the non-cash Impairment Loss in relation to our investment in and

amount due from GMG together with the increase in our share of expected losses of GMG as detailed above is the principal factor for the expected increase in loss attributable to parent of our Group for the year ended 31 December 2020 which is partially offset by:

1. decrease in impairment provision on:
 - (i) property, plant and equipment and mining rights;
 - (ii) trade and notes receivable due from a major customer; and
 - (iii) parts and materials.
2. deferred tax credit recognised in respect of prior years' tax losses of a subsidiary.

CAUTION STATEMENT

The information contained in this announcement is based only on the preliminary assessment by the Board upon its review of the unaudited consolidated management accounts of the Group and the currently available information to the Board which have not been audited nor reviewed by the Company's independent auditor. The financial results of the Group for the financial year ended 31 December 2020 will only be ascertained after all the relevant results and accounting treatments have been finalized and affected by other factors including value assessment of the Group's assets and liabilities which may result in additional impairment loss and/or gain (if any) and/or provision (if any) to be recorded. The Company will publish further announcement if there is any additional information warranting disclosure in accordance with the Listing Rules. Shareholders of the Company and potential investors are advised to refer to the details of the Company's annual results announcement for the financial year ended 31 December 2020 which will be published on 30 March 2021.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
SOUTH MANGANESE INVESTMENT LIMITED
Li Weijian
Chairman and Chief Executive Officer

Hong Kong, 22 March 2021

As at the date of this announcement, the executive Directors are Mr. Li Weijian, Mr. Zhang He and Mr. Zhang Zongjian; the non-executive Directors are Mr. Lyu Yanzheng, Mr. Cheng Zhiwei and Ms. Cui Ling; and the independent non-executive Directors are Mr. Lin Zhijun, Mr. Zhang Yupeng and Mr. Wang Zhihong.