

*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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **FINANCIAL HIGHLIGHTS**

- Revenue amounted to HK\$16,031.9 million in 2022, representing an increase of 24.9% from HK\$12,830.8 million in 2021.
- Gross profit amounted to HK\$1,372.3 million in 2022, representing a decrease of 41.3% from HK\$2,338.9 million in 2021. Gross profit margin was 8.6% in 2022, representing a decrease of 9.6 percentage points from 18.2% in 2021.
- Non-cash impairment losses on property, plant and equipment and mining rights of HK\$119.7 million (2021: HK\$236.4 million) was recognised in 2022.
- Profit attributable to owners of the Company was HK\$336.1 million in 2022 (2021: HK\$454.6 million).
- As at 31 December 2022, net gearing ratio decreased to 90.1% (2021: 92.3%).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2022*

|   | <i>Note</i> | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i><br>(restated) |
|---|-------------|--------------------------------|---------------------------------------|
| <b>REVENUE</b>  | 3           | <b>16,031,885</b>              | 12,830,762                            |
| Cost of sales   |             | <u>(14,659,553)</u>            | <u>(10,491,823)</u>                   |
| Gross profit  |             | <b>1,372,332</b>               | 2,338,939                             |
| Other income and gains  | 3           | <b>183,216</b>                 | 158,422                               |
| Selling and distribution expenses                                       |             | <b>(179,406)</b>               | (135,371)                             |
| Administrative expenses   |             | <b>(623,896)</b>               | (592,201)                             |
| Impairment losses on property, plant and equipment<br>and mining rights |             | <b>(119,737)</b>               | (236,425)                             |
| Impairment losses on financial assets, net                              |             | <b>(164)</b>                   | (158,663)                             |
| Impairment loss on investment in an associate                           |             | –                              | (15,325)                              |
| Finance costs   | 4           | <b>(221,307)</b>               | (236,012)                             |
| Other expenses  |             | <b>(16,770)</b>                | (279,673)                             |
| Share of profits and losses of associates                               |             | <b>611</b>                     | (297,347)                             |
| <b>PROFIT BEFORE TAX</b>  | 5           | <b>394,879</b>                 | 546,344                               |
| Income tax expenses   | 6           | <b>(52,565)</b>                | (190,049)                             |
| <b>PROFIT FOR THE YEAR</b>  |             | <b><u>342,314</u></b>          | <b><u>356,295</u></b>                 |

|  | Note | 2022<br>HK\$'000         | 2021<br>HK\$'000<br>(restated) |
|--|------|--------------------------|--------------------------------|
| <b>OTHER COMPREHENSIVE INCOME:</b>   |      |                          |                                |
| <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 |      | 739                      | 1,127                          |
| – Exchange differences on translation of foreign operations  |      | (277,138)                | 110,044                        |
| – Cash flow hedges, net of tax   |      | –                        | 3,286                          |
|  |      | <u>(276,399)</u>         | <u>114,457</u>                 |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>   |      | <b><u>65,915</u></b>     | <b><u>470,752</u></b>          |
| <b>Profit/(loss) for the year attributable to:</b>   |      |                          |                                |
| Owners of the Company  |      | 336,091                  | 454,583                        |
| Non-controlling interests  |      | 6,223                    | (98,288)                       |
|  |      | <u>342,314</u>           | <u>356,295</u>                 |
| <b>Total comprehensive income for the year attributable to:</b>  |      |                          |                                |
| Owners of the Company  |      | 42,333                   | 576,098                        |
| Non-controlling interests  |      | 23,582                   | (105,346)                      |
|  |      | <u>65,915</u>            | <u>470,752</u>                 |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>  |      |                          |                                |
|  | 7    |                          |                                |
| Basic  |      | <b><u>HK\$0.0980</u></b> | <b><u>HK\$0.1326</u></b>       |
| Diluted  |      | <b><u>HK\$0.0980</u></b> | <b><u>HK\$0.1326</u></b>       |

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

|   | <i>Note</i> | <b>2022</b><br><b>HK\$'000</b> | 2021<br>HK\$'000<br>(restated) |
|---|-------------|--------------------------------|--------------------------------|
| <b>NON-CURRENT ASSETS</b>                       |             |                                |                                |
| Property, plant and equipment                   |             | <b>4,019,433</b>               | 3,574,493                      |
| Investment properties                           |             | <b>104,006</b>                 | 114,284                        |
| Right-of-use assets                             |             | <b>523,350</b>                 | 662,257                        |
| Intangible assets                               |             | <b>221,374</b>                 | 367,902                        |
| Investments in associates                       |             | <b>86,203</b>                  | 92,608                         |
| Deferred tax assets                             |             | <b>20,980</b>                  | 12,897                         |
| Prepayments and other assets                    |             | <b>147,813</b>                 | 293,917                        |
|   |             | <hr/>                          | <hr/>                          |
| Total non-current assets                        |             | <b>5,123,159</b>               | 5,118,358                      |
|   |             | <hr/>                          | <hr/>                          |
| <b>CURRENT ASSETS</b>                           |             |                                |                                |
| Inventories                                     |             | <b>1,849,089</b>               | 1,399,096                      |
| Trade and notes receivables                     | 9           | <b>1,484,012</b>               | 1,454,714                      |
| Prepayments, other receivables and other assets |             | <b>1,380,919</b>               | 1,764,201                      |
| Due from related companies                      |             | –                              | 1,560                          |
| Tax recoverable                                 |             | <b>7,117</b>                   | 505                            |
| Pledged deposits                                |             | <b>430,839</b>                 | 200,547                        |
| Cash and cash equivalents                       |             | <b>1,175,489</b>               | 1,045,362                      |
|   |             | <hr/>                          | <hr/>                          |
| Total current assets                            |             | <b>6,327,465</b>               | 5,865,985                      |
|   |             | <hr/>                          | <hr/>                          |

|   | <i>Note</i> | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i><br>(restated) |
|---|-------------|--------------------------------|---------------------------------------|
| <b>CURRENT LIABILITIES</b>                          |             |                                |                                       |
| Trade and notes payables                            | <i>10</i>   | 2,148,852                      | 1,300,221                             |
| Other payables and accruals                         |             | 1,521,404                      | 2,196,653                             |
| Interest-bearing bank and other borrowings          |             | 3,266,892                      | 3,623,953                             |
| Due to related companies                            |             | 7,505                          | 1,376                                 |
| Tax payables  |             | 129,077                        | 328,713                               |
|   |             | <u>7,073,730</u>               | <u>7,450,916</u>                      |
|   |             | <u>(746,265)</u>               | <u>(1,584,931)</u>                    |
|   |             | <u>4,376,894</u>               | <u>3,533,427</u>                      |
| <b>NON-CURRENT LIABILITIES</b>                      |             |                                |                                       |
| Interest-bearing bank and other borrowings          |             | 1,193,508                      | 489,942                               |
| Deferred tax liabilities                            |             | 180,385                        | 140,669                               |
| Other long-term liabilities                         |             | 106,120                        | 112,456                               |
| Deferred income                                     |             | 64,595                         | 54,527                                |
|   |             | <u>1,544,608</u>               | <u>797,594</u>                        |
|   |             | <u>2,832,286</u>               | <u>2,735,833</u>                      |
| <b>EQUITY</b>                                       |             |                                |                                       |
| <b>Equity attributable to owners of the Company</b> |             |                                |                                       |
| Issued capital                                      |             | 342,846                        | 342,846                               |
| Reserves  |             | 2,825,232                      | 2,765,355                             |
|   |             | <u>3,168,078</u>               | <u>3,108,201</u>                      |
| Non-controlling interests                           |             | <u>(335,792)</u>               | <u>(372,368)</u>                      |
|   |             | <u>2,832,286</u>               | <u>2,735,833</u>                      |

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 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 fair value through other comprehensive income 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.

As at 31 December 2022, the Group had net current liabilities of HK\$746,265,000, out of which HK\$3,266,892,000 represented bank and other borrowings repayable within one year.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group’s net current liabilities position as at 31 December 2022. Subsequent to the year end, the Group has successfully renewed or obtained new bank loans of HK\$3,145,536,000 during the period from 1 January 2023 up to 30 September 2023. The directors of the Company, also 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, 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 consolidated financial statements have been prepared on a going concern basis.

## 1.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. 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.

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

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

## 1.2 Prior year adjustments

In preparing the current year's consolidated financial statement, management has identified some prior year adjustments to the prior year consolidated financial statements. A detailed description of the nature of these adjustments are further discussed below.

### *Adjustment I*

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

This resulted in an understatement of "Reserves" and overstatement of "Non-controlling interests" as at 1 January 2021 and 31 December 2021.

### *Adjustment II*

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

This resulted in understatement of "Other payables and accruals", overstatement of "Reserves", and overstatement of "Non-controlling interests" as at 1 January 2021 and 31 December 2021; overstatement of "Administrative expenses" and understatement of "Finance costs" for the year ended 31 December 2021.

### *Adjustment III*

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

This resulted in understatements of "Other payables and accruals" and "Tax payables", overstatement of "Reserves", and overstatement of "Non-controlling interests" as at 1 January 2021 and 31 December 2021; understatement of "Other expenses" and overstatement of "Income tax expenses" due to statute of limitations for the year ended 31 December 2021.



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

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

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

|  | As<br>previously<br>reported<br>HK\$'000 | Adjustment I<br>HK\$'000 | Adjustment II<br>HK\$'000 | Adjustment III<br>HK\$'000 | As restated<br>HK\$'000 |
|--|--|--------------------------|---------------------------|----------------------------|-------------------------|
| <b>Effect on the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021</b> |  |                          |                           |                            |                         |
| Administrative expenses  | (597,465)                                | –                        | 5,264                     | –                          | (592,201)               |
| Other expenses   | (252,296)                                | –                        | –                         | (27,377)                   | (279,673)               |
| Finance cost   | (219,533)                                | –                        | (16,479)                  | –                          | (236,012)               |
| Income tax expenses  | (208,751)                                | –                        | –                         | 18,702                     | (190,049)               |
|  | <u>376,185</u>                           | <u>–</u>                 | <u>(11,215)</u>           | <u>(8,675)</u>             | <u>356,295</u>          |
| <i>Other comprehensive income that may be reclassified to profit or loss in subsequent period:</i>                                       |  |                          |                           |                            |                         |
| – Exchange differences on translation of foreign operations  | 112,905                                  | –                        | (2,861)                   | –                          | 110,044                 |
|  | <u>493,503</u>                           | <u>–</u>                 | <u>(14,076)</u>           | <u>(8,675)</u>             | <u>470,752</u>          |
| Total comprehensive income for the year  |  |                          |                           |                            |                         |
| Profit for the year attributable to:   |  |                          |                           |                            |                         |
| Owners of the Company  | 466,185                                  | –                        | (7,178)                   | (4,424)                    | 454,583                 |
| Non-controlling interests  | (90,000)                                 | –                        | (4,037)                   | (4,251)                    | (98,288)                |
|  | <u>376,185</u>                           | <u>–</u>                 | <u>(11,215)</u>           | <u>(8,675)</u>             | <u>356,295</u>          |
| Total comprehensive income for the year attributable to:   |  |                          |                           |                            |                         |
| Owners of the Company  | 589,531                                  | –                        | (9,009)                   | (4,424)                    | 576,098                 |
| Non-controlling interests  | (96,028)                                 | –                        | (5,067)                   | (4,251)                    | (105,346)               |
|  | <u>493,503</u>                           | <u>–</u>                 | <u>(14,076)</u>           | <u>(8,675)</u>             | <u>470,752</u>          |
| Earnings per shares attributable to owners of the Company  |  |                          |                           |                            |                         |
| Basic (HK\$)   | 0.1360                                   | –                        | (0.0021)                  | (0.0013)                   | 0.1326                  |
| Diluted (HK\$)   | 0.1360                                   | –                        | (0.0021)                  | (0.0013)                   | 0.1326                  |

A summary of the accumulated effects of the restatements described above on the consolidated statement of financial position of the Group as at 1 January 2021 by each financial statement line item affected are presented in the table below:

|  | As<br>previously<br>reported<br>HK\$'000 | Adjustment I<br>HK\$'000 | Adjustment II<br>HK\$'000 | Adjustment III<br>HK\$'000 | As restated<br>HK\$'000 |
|--|--|--------------------------|---------------------------|----------------------------|-------------------------|
| <b>Effect on the Group's consolidated<br/>statement of financial position as at<br/>1 January 2021</b> |  |                          |                           |                            |                         |
| Other payables and accruals  | 919,595                                  | –                        | 79,218                    | 66,082                     | 1,064,895               |
| Tax payables   | 3,136                                    | –                        | –                         | 140,692                    | 143,828                 |
|  | <u>          </u>                        | <u>          </u>        | <u>          </u>         | <u>          </u>          | <u>          </u>       |
| Reserves   | 2,174,988                                | 170,423                  | (50,699)                  | (105,455)                  | 2,189,257               |
| Non-controlling interests  | 33,239                                   | (170,423)                | (28,519)                  | (101,319)                  | (267,022)               |
|  | <u>          </u>                        | <u>          </u>        | <u>          </u>         | <u>          </u>          | <u>          </u>       |

### 1.3 Changes in accounting policies and disclosures

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

|                       |  |
|-----------------------|--|
| Amendments to HKAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to HKAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i>           |
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework</i>                       |
| Annual Improvements   | <i>Annual Improvements to HKFRS Standards 2018-2020 Cycle</i>      |

## 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;

### (c) Battery materials production segment (PRC)

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

**(d) Other business segment (PRC and HK)**

The other business segment comprises, principally, the trading of various commodities such as manganese ores, EMM, manganese alloys and non-manganese metals, sales of scraps and rental of investment properties and leasehold lands 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 profits before tax except that interest income, non-lease-related finance costs, fair value gain/loss from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

Intersegment sales 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 and HK       |                          |
|  | HK\$'000         | HK\$'000         | HK\$'000                              | HK\$'000                     | HK\$'000         | HK\$'000                 |
| <b>Year ended 31 December 2022</b>                                   |                  |                  |                                       |                              |                  |                          |
| <b>Segment revenue</b>   |                  |                  |                                       |                              |                  |                          |
| Sales to external customers  | 114,167          | 1,143,053        | 3,377,047                             | 1,986,662                    | 9,410,956        | 16,031,885               |
| Intersegment sales   | –                | 216,348          | –                                     | –                            | –                | 216,348                  |
| Other revenue  | 17,043           | 30,331           | 55,667                                | 15,696                       | 51,697           | 170,434                  |
|  | <u>131,210</u>   | <u>1,389,732</u> | <u>3,432,714</u>                      | <u>2,002,358</u>             | <u>9,462,653</u> | <u>16,418,667</u>        |
| <i>Reconciliation:</i>   |                  |                  |                                       |                              |                  |                          |
| Elimination of intersegment sales                                    |                  |                  |                                       |                              |                  | <u>(216,348)</u>         |
| Revenue from operations  |                  |                  |                                       |                              |                  | <u>16,202,319</u>        |
| <b>Segment results</b>   | <b>(108,211)</b> | <b>181,648</b>   | <b>180,175</b>                        | <b>575,362</b>               | <b>(77,934)</b>  | <b>751,040</b>           |
| <i>Reconciliation:</i>   |                  |                  |                                       |                              |                  |                          |
| Interest income  |                  |                  |                                       |                              |                  | 12,782                   |
| Corporate and other unallocated expenses                             |                  |                  |                                       |                              |                  | (161,421)                |
| Finance costs (other than interest on lease liabilities)             |                  |                  |                                       |                              |                  | (207,522)                |
| Profit before tax  |                  |                  |                                       |                              |                  | 394,879                  |
| Income tax expense   |                  |                  |                                       |                              |                  | (52,565)                 |
| <b>Profit for the year</b>   |                  |                  |                                       |                              |                  | <u><u>342,314</u></u>    |
| <b>Assets and liabilities</b>  |                  |                  |                                       |                              |                  |                          |
| <b>Segment assets</b>  | <b>626,369</b>   | <b>624,211</b>   | <b>3,388,932</b>                      | <b>2,648,178</b>             | <b>2,169,617</b> | <b>9,457,307</b>         |
| <i>Reconciliation:</i>   |                  |                  |                                       |                              |                  |                          |
| Corporate and other unallocated assets                               |                  |                  |                                       |                              |                  | 1,993,317                |
| <b>Total assets</b>  |                  |                  |                                       |                              |                  | <u><u>11,450,624</u></u> |
| <b>Segment liabilities</b>   | <b>413,525</b>   | <b>339,046</b>   | <b>1,190,527</b>                      | <b>1,043,813</b>             | <b>949,737</b>   | <b>3,936,648</b>         |
| <i>Reconciliation:</i>   |                  |                  |                                       |                              |                  |                          |
| Corporate and other unallocated liabilities                          |                  |                  |                                       |                              |                  | 4,681,690                |
| <b>Total liabilities</b>   |                  |                  |                                       |                              |                  | <u><u>8,618,338</u></u>  |
| <b>Other segment information:</b>                                    |                  |                  |                                       |                              |                  |                          |
| Depreciation and amortisation  | 9,053            | 24,049           | 301,268                               | 101,845                      | 1,223            | 437,438                  |
| Unallocated depreciation and amortisation                            |                  |                  |                                       |                              |                  | 7,180                    |
| Total depreciation and amortisation                                  |                  |                  |                                       |                              |                  | <u>444,618</u>           |
| Capital expenditure <sup>#</sup>                                     | 3,135            | 58,382           | 568,266                               | 391,098                      | 2,434            | 1,023,315                |
| Unallocated capital expenditure                                      |                  |                  |                                       |                              |                  | 217,683                  |
| Total capital expenditure  |                  |                  |                                       |                              |                  | <u>1,240,998</u>         |
| Impairment losses recognised/(reversed) in profit or loss            | <u>119,015</u>   | <u>1,666</u>     | <u>(2,578)</u>                        | <u>(9,526)</u>               | <u>24,055</u>    | <u>132,632</u>           |
| Gains/(losses) on disposal of items of property, plant and equipment | <u>(15)</u>      | <u>(2,088)</u>   | <u>10,518</u>                         | <u>(280)</u>                 | <u>(69)</u>      | <u>8,066</u>             |
| Investments in associates  | <u>–</u>         | <u>–</u>         | <u>–</u>                              | <u>–</u>                     | <u>86,203</u>    | <u>86,203</u>            |
| Share of profits of associates                                       | <u>–</u>         | <u>–</u>         | <u>–</u>                              | <u>–</u>                     | <u>611</u>       | <u>611</u>               |

<sup>#</sup> Capital expenditure consists of additions to property, plant and equipment, investment properties, right-of-use assets and intangible assets.

|  | Manganese mining |                  | EMM and alloying materials | Battery materials production | Other business   | Total                    |
|--|------------------|------------------|----------------------------|------------------------------|------------------|--------------------------|
|  | PRC              | Gabon            | PRC                        | PRC                          | PRC and HK       |                          |
|  | HK\$ '000        | HK\$ '000        | HK\$ '000                  | HK\$ '000                    | HK\$ '000        | HK\$ '000                |
| <b>Year ended 31 December 2021 (restated)</b>                        |                  |                  |                            |                              |                  |                          |
| <b>Segment revenue</b>   |                  |                  |                            |                              |                  |                          |
| Sales to external customers  | 134,391          | 587,303          | 4,510,502                  | 1,673,925                    | 5,924,641        | 12,830,762               |
| Intersegment sales   | –                | 78,123           | –                          | –                            | 46,719           | 124,842                  |
| Other revenue  | 15,591           | 9,147            | 57,846                     | 27,686                       | 41,844           | 152,114                  |
|  | <u>149,982</u>   | <u>674,573</u>   | <u>4,568,348</u>           | <u>1,701,611</u>             | <u>6,013,204</u> | <u>13,107,718</u>        |
| <i>Reconciliation:</i>   |                  |                  |                            |                              |                  |                          |
| Elimination of intersegment sales                                    |                  |                  |                            |                              |                  | <u>(124,842)</u>         |
| Revenue from operations  |                  |                  |                            |                              |                  | <u>12,982,876</u>        |
| <b>Segment results</b>   | <b>(137,317)</b> | <b>(43,313)</b>  | <b>894,967</b>             | <b>292,783</b>               | <b>(45,001)</b>  | <b>962,119</b>           |
| <i>Reconciliation:</i>   |                  |                  |                            |                              |                  |                          |
| Interest income  |                  |                  |                            |                              |                  | 6,308                    |
| Corporate and other unallocated expenses                             |                  |                  |                            |                              |                  | (187,602)                |
| Finance costs (other than interest on lease liabilities)             |                  |                  |                            |                              |                  | <u>(234,481)</u>         |
| Profit before tax  |                  |                  |                            |                              |                  | 546,344                  |
| Income tax expense   |                  |                  |                            |                              |                  | <u>(190,049)</u>         |
| <b>Profit for the year</b>   |                  |                  |                            |                              |                  | <b><u>356,295</u></b>    |
| <b>Assets and liabilities</b>  |                  |                  |                            |                              |                  |                          |
| <b>Segment assets</b>  | <b>767,345</b>   | <b>504,709</b>   | <b>3,984,040</b>           | <b>2,284,238</b>             | <b>2,074,841</b> | <b>9,615,173</b>         |
| <i>Reconciliation:</i>   |                  |                  |                            |                              |                  |                          |
| Corporate and other unallocated assets                               |                  |                  |                            |                              |                  | <u>1,369,170</u>         |
| <b>Total assets</b>  |                  |                  |                            |                              |                  | <b><u>10,984,343</u></b> |
| <b>Segment liabilities</b>   | <b>465,063</b>   | <b>447,371</b>   | <b>743,355</b>             | <b>866,522</b>               | <b>796,540</b>   | <b>3,318,851</b>         |
| <i>Reconciliation:</i>   |                  |                  |                            |                              |                  |                          |
| Corporate and other unallocated liabilities                          |                  |                  |                            |                              |                  | <u>4,929,659</u>         |
| <b>Total liabilities</b>   |                  |                  |                            |                              |                  | <b><u>8,248,510</u></b>  |
| <b>Other segment information:</b>                                    |                  |                  |                            |                              |                  |                          |
| Depreciation and amortisation  | 23,015           | 35,761           | 300,666                    | 175,275                      | 8,003            | 542,720                  |
| Unallocated depreciation and amortisation                            |                  |                  |                            |                              |                  | <u>4,253</u>             |
| Total depreciation and amortisation                                  |                  |                  |                            |                              |                  | <u>546,973</u>           |
| Capital expenditure <sup>#</sup>                                     | 73,834           | 61,192           | 317,354                    | 343,267                      | 24,016           | 819,663                  |
| Unallocated capital expenditure                                      |                  |                  |                            |                              |                  | <u>414</u>               |
| Total capital expenditure  |                  |                  |                            |                              |                  | <u>820,077</u>           |
| Impairment losses recognised in profit or loss                       | <u>167,445</u>   | <u>13,280</u>    | <u>86,634</u>              | <u>5,093</u>                 | <u>137,961</u>   | <u>410,413</u>           |
| (Losses)/gains on disposal of items of property, plant and equipment | <u>(1,107)</u>   | <u>–</u>         | <u>(19,690)</u>            | <u>(16,878)</u>              | <u>1,644</u>     | <u>(36,031)</u>          |
| Investments in associates  | <u>–</u>         | <u>–</u>         | <u>–</u>                   | <u>–</u>                     | <u>92,608</u>    | <u>92,608</u>            |
| Share of losses of associates  | <u>–</u>         | <u>–</u>         | <u>(288,900)</u>           | <u>–</u>                     | <u>(8,447)</u>   | <u>(297,347)</u>         |
| Settlement expense with a subcontractor                              | <u>–</u>         | <u>(166,045)</u> | <u>–</u>                   | <u>–</u>                     | <u>–</u>         | <u>(166,045)</u>         |

<sup>#</sup> Capital expenditure consists of additions to property, plant and equipment, investment properties, right-of-use assets and intangible assets.

## Geographical information

### (a) Revenue from external customers

|                                 | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Mainland China                  | 14,989,718              | 11,939,795              |
| Asia (excluding Mainland China) | 740,922                 | 612,554                 |
| Europe                          | 28,635                  | 35,890                  |
| North America                   | 272,610                 | 242,523                 |
|                                 | <u>16,031,885</u>       | <u>12,830,762</u>       |

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

### (b) Non-current assets

|                | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Mainland China | 4,995,865               | 5,026,005               |
| Africa         | 106,314                 | 79,456                  |
|                | <u>5,102,179</u>        | <u>5,105,461</u>        |

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

## Information about a major customer

Revenue of approximately HK\$1,187,173,000 (2021: approximately HK\$2,303,832,000) was derived from sales by trading sales to a single customer of the Group's other segment. The turnover from the Group's largest customer accounted for less than 10% of the Group's total turnover.



### 3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

|                                       | 2022<br><i>HK\$'000</i>  | 2021<br><i>HK\$'000</i>  |
|---------------------------------------|--------------------------|--------------------------|
| Revenue from contracts with customers | <u><u>16,031,885</u></u> | <u><u>12,830,762</u></u> |

#### Revenue from contracts with customers

#### *Disaggregated revenue information*

For the year ended 31 December 2022

#### Segments

|  | Manganese<br>mining<br><i>HK\$'000</i> | EMM and<br>alloying<br>materials<br>production<br><i>HK\$'000</i> | Battery<br>materials<br>production<br><i>HK\$'000</i> | Other<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|---|---|--------------------------------------|--------------------------|
| Sale of goods  | <u>1,257,220</u>                       | <u>3,377,047</u>  | <u>1,986,662</u>                                      | <u>9,410,956</u>                     | <u>16,031,885</u>        |
| <b>Geographical markets</b>                            |  |   |   |                                      |                          |
| Mainland China   | 743,074                                | 2,926,486   | 1,967,646   | 9,352,512                            | 14,989,718               |
| Asia (excluding Mainland China)                        | 514,146                                | 162,906   | 13,627  | 50,243                               | 740,922                  |
| Europe   | –                                      | 21,137  | 668   | 6,830                                | 28,635                   |
| North America  | –                                      | 266,518   | 4,721   | 1,371                                | 272,610                  |
| Total revenue from contracts with customers            | <u><u>1,257,220</u></u>                | <u><u>3,377,047</u></u>   | <u><u>1,986,662</u></u>                               | <u><u>9,410,956</u></u>              | <u><u>16,031,885</u></u> |
| <b>Timing of revenue recognition</b>                   |  |   |   |                                      |                          |
| Goods transferred at a point<br>in time with customers | <u><u>1,257,220</u></u>                | <u><u>3,377,047</u></u>   | <u><u>1,986,662</u></u>                               | <u><u>9,410,956</u></u>              | <u><u>16,031,885</u></u> |

For the year ended 31 December 2021

**Segments**

|   | <b>Manganese<br/>mining</b><br><i>HK\$'000</i> | <b>EMM and<br/>alloying<br/>materials<br/>production</b><br><i>HK\$'000</i> | <b>Battery<br/>materials<br/>production</b><br><i>HK\$'000</i> | <b>Other<br/>business</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|---|--|---|--|--|---------------------------------|
| <b>Sale of goods</b>                                | <u>721,694</u>                                 | <u>4,510,502</u>  | <u>1,673,925</u>   | <u>5,924,641</u>                             | <u>12,830,762</u>               |
| <b>Geographical markets</b>                         |  |   |  |  |                                 |
| Mainland China                                      | 296,196  | 4,073,060   | 1,645,898  | 5,924,641                                    | 11,939,795                      |
| Asia (excluding Mainland China)                     | 425,498  | 182,049   | 5,007  | –  | 612,554                         |
| Europe  | –  | 34,054  | 1,836  | –  | 35,890                          |
| North America                                       | –  | 221,339   | 21,184   | –  | 242,523                         |
| Total revenue from contracts with customers         | <u><u>721,694</u></u>                          | <u><u>4,510,502</u></u>   | <u><u>1,673,925</u></u>  | <u><u>5,924,641</u></u>                      | <u><u>12,830,762</u></u>        |
| <b>Timing of revenue recognition</b>                |  |   |  |  |                                 |
| Goods transferred at a point in time with customers | <u><u>721,694</u></u>                          | <u><u>4,510,502</u></u>   | <u><u>1,673,925</u></u>  | <u><u>5,924,641</u></u>                      | <u><u>12,830,762</u></u>        |

An analysis of other income and gains is as follows:

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Bank and other interest income                                 | 12,782                  | 6,308                   |
| Gains on disposal of items of property, plant and equipment    | 8,066                   | –                       |
| Subsidy income*  | 41,104                  | 54,594                  |
| Sale of scraps   | 30,149                  | 35,734                  |
| Gross rental income from investment property operating leases: |                         |                         |
| Lease payments, including fixed payments                       | 19,003                  | 24,455                  |
| Foreign exchange gains, net                                    | 20,960                  | –                       |
| Others   | 51,152                  | 37,331                  |
|  | <u>183,216</u>          | <u>158,422</u>          |

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

#### 4. FINANCE COSTS

An analysis of finance costs is as follows:

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i><br>(restated) |
|---|-------------------------|---------------------------------------|
| Interest on loans and other payables                | 183,359                 | 211,434                               |
| Finance costs for discounted notes receivable       | 22,160                  | 20,464                                |
| Interest on lease liabilities                       | 13,785                  | 1,531                                 |
| Interest on discounted provision for rehabilitation | 1,821                   | 2,309                                 |
| Other finance costs                                 | 182                     | 274                                   |
|   | <u>221,307</u>          | <u>236,012</u>                        |

## 5. PROFIT BEFORE TAX

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

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i><br>(restated) |
|--|-------------------------|---------------------------------------|
| Cost of inventories sold <sup>#**</sup>  | 14,434,290              | 10,488,721                            |
| Depreciation of property, plant and equipment  | 405,370                 | 456,131                               |
| Depreciation of right-of-use assets  | 36,620                  | 71,438                                |
| Amortisation of intangible assets  | 2,628                   | 19,404                                |
| Research and development costs   | 84,025                  | 72,265                                |
| Lease payments not included in the measurement of lease liabilities  | 9,125                   | 8,049                                 |
| Auditor's remuneration:  |                         |                                       |
| Current  | 11,270                  | 4,961                                 |
| Under-provision  | 193                     | 37                                    |
|  | <u>11,463</u>           | <u>4,998</u>                          |
| Employee benefit expense (excluding directors' and chief executive's remuneration):                          |                         |                                       |
| Wages and salaries   | 580,975                 | 682,517                               |
| Pension scheme contributions   | 81,795                  | 83,441                                |
| Other employee welfare   | 86,702                  | 77,155                                |
|  | <u>749,472</u>          | <u>843,113</u>                        |
| (Gains)/losses on disposal of items of property, plant and equipment*  | (8,066)                 | 36,031                                |
| Foreign exchange differences, net*   | (20,960)                | 33,142                                |
| Share of profits and losses of associates  | (611)                   | 297,347                               |
| Provision for inventories, net <sup>#</sup>  | 1,117                   | 3,103                                 |
| Impairment losses on financial assets, net:<br>(Reversal of impairment)/impairment of trade receivables, net | (217)                   | 122,662                               |
| Impairment of financial assets included in prepayments, other receivables and other assets                   | 381                     | 24,555                                |
| Impairment of amounts due from associates  | –                       | 11,446                                |
|  | <u>164</u>              | <u>158,663</u>                        |
| Impairment loss on property, plant and equipment   | –                       | 69,572                                |
| Impairment loss on mining rights   | 119,737                 | 166,853                               |
| Impairment loss on non-financial assets included in prepayments, other receivables and other assets*         | 12,731                  | –                                     |
| Impairment loss on investment in an associate  | –                       | 15,325                                |
| Settlement expense with a subcontractor <sup>***</sup>   | –                       | 166,045                               |
| Fair value losses on investment properties*  | 1,498                   | 4,243                                 |
|  | <u>1,498</u>            | <u>4,243</u>                          |

- # Included in “Cost of sales” in the consolidated statement of profit or loss and other comprehensive income.
- \* HK\$29,026,000 (2021: Nil) included in “Other income and gains” (note 3) and HK\$14,229,000 (2021: HK\$73,416,000) included in “Other expenses, net” in the consolidated statement of profit or loss and other comprehensive income.
- \*\* Cost of inventories sold included depreciation, amortisation, lease charges and employee benefit of HK\$768,359,000 (2021: HK\$933,864,000) which are included in the amounts disclosed separately.
- \*\*\* During the year ended 31 December 2021, a non-wholly owned subsidiary of the Group and a shareholder of an associate of the Group entered a mutual offsetting agreement to net off the mutual debts via transferring assets and liabilities of the shareholder of an associate of the Group. The subsidiary recognised the relevant expense of HK\$20,570,000 and HK\$166,045,000 in “Impairment losses on financial assets, net” and “Other expenses”, respectively.

## 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.

|                                | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i><br>(restated) |
|--------------------------------|-------------------------|---------------------------------------|
| Current – Charge for the year  |                         |                                       |
| – PRC                          | <b>38,156</b>           | 174,636                               |
| – Hong Kong                    | <b>5,405</b>            | –                                     |
| – Gabon                        | <b>23,931</b>           | 39,094                                |
| Over-provision in prior years  | <b>(56,015)</b>         | (18,702)                              |
| Deferred                       | <b>41,088</b>           | (4,979)                               |
|                                | <hr/>                   | <hr/>                                 |
| Total tax expense for the year | <b>52,565</b>           | 190,049                               |
|                                | <hr/> <hr/>             | <hr/> <hr/>                           |

### Hong Kong profits tax

Provision for Hong Kong profits tax for 2022 is calculated at 16.5% of the estimated assessable profit for the year. No provision for Hong Kong profits tax has been made for 2021 as the Group had utilised unrecognised tax losses brought forward from prior years to set off against the current year’s taxable profits.

## PRC corporate income tax (“CIT”)

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax treatment available to South Manganese Group and Huiyuan Manganese which are recognised as High and New Technology Enterprises and were entitled to a preferential CIT rate of 15% up to 2022 and 2023 respectively, and Guangxi Start, which was entitled to a preferential CIT rate of 15% for Developing Western China for which the policy will expire in 2030 and the related benefit will be subject to review by tax authorities every year thereafter, 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.

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares of 3,428,459,000 (2021: 3,428,459,000) in issue during the year.

No diluted earnings per share has been presented as the Group had no potentially dilutive ordinary shares outstanding during the years ended 31 December 2022 and 2021.

The calculations of basic earnings per share are based on:

|  | <b>2022</b>                 | 2021                    |
|--|-----------------------------|-------------------------|
|  | <b>HK\$'000</b>             | HK\$'000                |
|  |                             | (restated)              |
| <b>Earnings</b>  |                             |                         |
| Earnings attributable to owners of the Company, used in the basic earnings per share calculation                     | <b><u>336,091</u></b>       | <u>454,583</u>          |
|  |                             | <b>Number of shares</b> |
| <b>Shares</b>  |                             |                         |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | <b><u>3,428,459,000</u></b> | <u>3,428,459,000</u>    |

## 8. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

## 9. TRADE AND NOTES RECEIVABLES

|                   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Trade receivables | 1,065,902               | 1,136,324               |
| Less: Impairment  | <u>(268,116)</u>        | <u>(305,247)</u>        |
|                   | 797,786                 | 831,077                 |
| Notes receivable  | <u>686,226</u>          | <u>623,637</u>          |
|                   | <u><b>1,484,012</b></u> | <u><b>1,454,714</b></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:

|                     | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Within one month    | 560,460                 | 507,505                 |
| One to two months   | 153,434                 | 237,332                 |
| Two to three months | 32,745                  | 50,496                  |
| Over three months   | <u>51,147</u>           | <u>35,744</u>           |
|                     | <u><b>797,786</b></u>   | <u><b>831,077</b></u>   |

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

## 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 or note issuance date, is as follows:

|                     | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Within one month    | 1,003,397               | 786,111                 |
| One to two months   | 378,559                 | 369,383                 |
| Two to three months | 39,302                  | 29,747                  |
| Over three months   | <u>727,594</u>          | <u>114,980</u>          |
|                     | <u><u>2,148,852</u></u> | <u><u>1,300,221</u></u> |

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

|   | 2022<br><i>HK\$'000</i>  | 2021<br><i>HK\$'000</i><br>(restated) | Increase/(decrease) |                |
|---|--------------------------|---------------------------------------|---------------------|----------------|
|   |                          |                                       | <i>HK\$'000</i>     | %              |
| Revenue   | <b><u>16,031,885</u></b> | <u>12,830,762</u>                     | <u>3,201,123</u>    | <u>24.9</u>    |
| Gross profit  | <b>1,372,332</b>         | 2,338,939                             | (966,607)           | (41.3)         |
| Gross profit margin   | <u>8.6%</u>              | <u>18.2%</u>                          | <u>N/A</u>          | <u>(9.6)</u>   |
| Operating profit  | <b>514,169</b>           | 1,254,104                             | (739,935)           | (59.0)         |
| Impairment losses on property,<br>plant and equipment and mining rights | <b>(119,737)</b>         | (236,425)                             | (116,688)           | (49.4)         |
| Impairment losses on financial assets,<br>net                           | <b>(164)</b>             | (158,663)                             | (158,499)           | (99.9)         |
| Impairment loss on investment in an<br>associate                        | –                        | (15,325)                              | (15,325)            | (100.0)        |
| Share of profits and losses of associates                               | <u>611</u>               | <u>(297,347)</u>                      | <u>(297,958)</u>    | <u>(100.2)</u> |
| Profit before tax   | <b>394,879</b>           | 546,344                               | (151,465)           | (27.7)         |
| Income tax expenses   | <u>(52,565)</u>          | <u>(190,049)</u>                      | <u>(137,484)</u>    | <u>(72.3)</u>  |
| Profit for the year   | <b><u>342,314</u></b>    | <u>356,295</u>                        | <u>(13,981)</u>     | <u>(3.9)</u>   |
| Profit for the year attributable to owners<br>of the Company            | <b>336,091</b>           | 454,583                               | (118,492)           | (26.1)         |
| Profit/(loss) for the year attributable to<br>non-controlling interests | <u>6,223</u>             | <u>(98,288)</u>                       | <u>(104,511)</u>    | <u>(106.3)</u> |
|   | <b><u>342,314</u></b>    | <u>356,295</u>                        | <u>(13,981)</u>     | <u>(3.9)</u>   |

## Overview

In 2022, the global economy was facing severe challenges. The unforeseen outbreak of Russia-Ukraine War in February 2022 led to soaring of energy markets including oil and gas prices. Furthermore, the resurgence of the coronavirus disease (“**the COVID-19**”) resulting to lockdowns of certain areas in China since March 2022 delayed the economic recovery and to a certain extent disrupted the supply chain and logistic markets until the end of the year 2022. As a result, the inflationary pressures that existed globally by the end of the year 2021 were further deteriorated in 2022 and resulting to cost of living crisis around the world. In addition, the United States Federal Reserve Board increased its interest rate by seven times from 0.25% to 4.25% in 2022. All these factors increased the burdens of corporations worldwide and the economies were becoming more volatile around the world.

Steel sector is our major downstream industry, its demand for our EMM Products largely arising from consumptions within China. In 2022, there was shrinkage of demand for steels as a result of lockdowns of certain areas in China and slowing down of property development sector. Also, downstream steel manufacturers sought alternative materials to replace EMM for their productions owing to the rocket soared market price of EMM Products starting from the fourth quarter of the year 2021. Therefore, the market price of EMM Products dropped from peak in the first quarter to a more reasonable level since April 2022. To address the inflationary pressures and maintain the cost competitiveness of our major products, the Group had centralized the purchase of major raw materials since 2022. However, our unit cost of EMM Products for the year 2022 increased compared with 2021 as there was temporary production halt during the year. Due to the above challenging environment, the average selling price of our EMM Products for 2022 decreased by 8.1% to HK\$20,322 per tonne (2021: HK\$22,121 per tonne). The gross profit ratio of EMM Products decreased by 28.2 percentage points to 16.0% in 2022 (2021: 44.2%) and the gross profit contribution of EMM Products decreased by 71.5% to HK\$385.8 million in 2022 (2021: HK\$1,355.7 million).

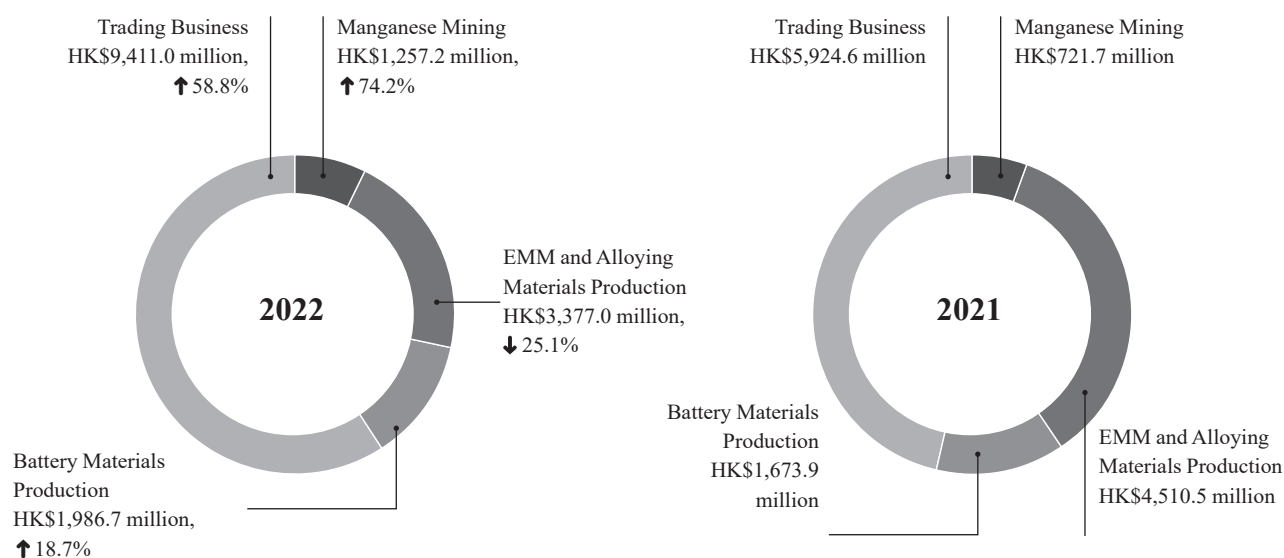
In 2022, our production of battery materials including EMD continued to achieve encouraging results. The increase on costs of productions of EMD has been partially mitigated by our internal supply of manganese ores from our Gabon Bembélé Manganese Mine and strengthened cost control measures. Despite in 2022, certain of our downstream customers faced some setbacks due to significant increase in costs of raw materials especially lithium carbonate and production halt owing to the lockdown measures, in the long term, Group remains optimistic about this business segment. The Group 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 including lithium manganese oxide and high purity manganese sulfate. The Group expects such measures would further integrate our battery materials production segment to grasp market opportunities arising from the commercialization of electric vehicles and development of battery products at unprecedented speed. In 2022, the average selling price of EMD increased by 55.0% to HK\$16,644 per tonne (2021: HK\$10,741 per tonne), the gross profit ratio increased by 17.8 percentage points to 47.0% (2021: 29.2%) and the gross profit contribution of EMD recorded an increase of 64.7% to HK\$617.4 million (2021: HK\$374.9 million).

In summary, mainly due to decrease in gross profit contribution from EMM Products, the Group's operating profit for 2022 decreased by 59.0% to HK\$514.2 million (2021: HK\$1,254.1 million).

In 2022, the Group recognised non-cash impairment losses on mining rights of HK\$119.7 million mainly related to further alternations to our investment and expansion plans of Changgou Manganese Mine and Waifu Manganese Mine. All in all, the earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) for 2022 decreased by 20.8% to HK\$1,048.0 million (2021: HK\$1,323.0 million) and the profit attributable to owners of the Company in 2022 was HK\$336.1 million (2021: HK\$454.6 million).

## Comparison with 2021

### Revenue by segment



In 2022, the Group's revenue was HK\$16,031.9 million (2021: HK\$12,830.8 million), representing an increase of 24.9% as compared with 2021. The increase was mainly due to (a) increase in average selling prices of battery materials products including EMD; (b) increase in sales revenue from Gabon ore; and (c) substantial increase in sales revenue from trading business.

In 2022, the revenue of our EMM Products accounted for 15.0% (2021: 23.9%) of our total revenue.

## *Manganese mining segment*

|  | Sales<br>Volume<br>(tonnes) | Average<br>Selling Price<br>(HK\$/tonne) | Revenue<br>(HK\$'000) | Unit Cost<br>of Sales<br>(HK\$/tonne) | Cost of<br>Sales<br>(HK\$'000) | Gross Profit<br>(HK\$'000) | Gross Profit<br>Margin<br>(%) |
|--|-----------------------------|--|-----------------------|---------------------------------------|--------------------------------|----------------------------|-------------------------------|
| <b>Year 2022</b>                                 |                             |  |                       |                                       |                                |                            |                               |
| Gabon ore  | 1,077,246                   | 1,061                                    | 1,143,053             | 865                                   | 932,349                        | 210,704                    | 18.4                          |
| Manganese concentrate                            | 240,023                     | 422                                      | 101,400               | 317                                   | 76,058                         | 25,342                     | 25.0                          |
| Natural discharging manganese<br>powder and sand | 3,795                       | 3,364                                    | 12,767                | 642                                   | 2,438                          | 10,329                     | 80.9                          |
| <b>Total</b>                                     | <b>1,321,064</b>            | <b>952</b>                               | <b>1,257,220</b>      | <b>765</b>                            | <b>1,010,845</b>               | <b>246,375</b>             | <b>19.6</b>                   |
| <b>Year 2021</b>                                 |                             |  |                       |                                       |                                |                            |                               |
| Gabon ore  | 716,951                     | 819                                      | 587,303               | 553                                   | 396,471                        | 190,832                    | 32.5                          |
| Manganese concentrate                            | 227,940                     | 486                                      | 110,737               | 345                                   | 78,537                         | 32,200                     | 29.1                          |
| Natural discharging manganese<br>powder and sand | 7,660                       | 3,088                                    | 23,654                | 379                                   | 2,902                          | 20,752                     | 87.7                          |
| <b>Total</b>                                     | <b>952,551</b>              | <b>758</b>                               | <b>721,694</b>        | <b>502</b>                            | <b>477,910</b>                 | <b>243,784</b>             | <b>33.8</b>                   |

In 2022, revenue of manganese mining segment increased by 74.2% to HK\$1,257.2 million (2021: HK\$721.7 million) mainly attributable to increase in sales volume of Gabon ore as the Group has ramped up the mining operations of Bembélé Manganese Mine. The gross profit of manganese mining segment amounted to HK\$246.4 million in 2022 (2021: HK\$243.8 million).

During the year 2022, manganese mining segment recorded a profit of HK\$73.4 million (2021: loss of HK\$180.6 million). The turnaround from loss to profit mainly because there was a settlement expense of HK\$166.0 million arising from early termination of subcontracting service with the subcontractor of our Gabon Bembélé Manganese Mine in 2021.

## EMM and alloying materials production segment

|                       | Sales<br>Volume<br>(tonnes) | Average<br>Selling Price<br>(HK\$/tonne) | Revenue<br>(HK\$'000) | Unit Cost<br>of Sales<br>(HK\$/tonne) | Cost of<br>Sales<br>(HK\$'000) | Gross<br>Profit<br>(HK\$'000) | Gross<br>Profit<br>Margin<br>(%) |
|-----------------------|-----------------------------|--|-----------------------|---------------------------------------|--------------------------------|-------------------------------|----------------------------------|
| <b>Year 2022</b>      |                             |  |                       |                                       |                                |                               |                                  |
| EMM                   | 105,835                     | 19,588                                   | 2,073,148             | 16,968                                | 1,795,843                      | 277,305                       | 13.4                             |
| Manganese briquette   | 12,665                      | 26,453                                   | 335,028               | 17,885                                | 226,511                        | 108,517                       | 32.4                             |
|                       | 118,500                     | 20,322                                   | 2,408,176             | 17,066                                | 2,022,354                      | 385,822                       | 16.0                             |
| Silicomanganese alloy | 106,612                     | 8,491                                    | 905,260               | 8,456                                 | 901,469                        | 3,791                         | 0.4                              |
| Others                | 9,574                       | 6,644                                    | 63,611                | 5,949                                 | 56,956                         | 6,655                         | 10.5                             |
| <b>Total</b>          | <b>234,686</b>              | <b>14,390</b>                            | <b>3,377,047</b>      | <b>12,701</b>                         | <b>2,980,779</b>               | <b>396,268</b>                | <b>11.7</b>                      |
| <b>Year 2021</b>      |                             |  |                       |                                       |                                |                               |                                  |
| EMM                   | 119,102                     | 22,824                                   | 2,718,331             | 12,336                                | 1,469,280                      | 1,249,051                     | 45.9                             |
| Manganese briquette   | 19,580                      | 17,845                                   | 349,398               | 12,396                                | 242,713                        | 106,685                       | 30.5                             |
|                       | 138,682                     | 22,121                                   | 3,067,729             | 12,345                                | 1,711,993                      | 1,355,736                     | 44.2                             |
| Silicomanganese alloy | 168,188                     | 8,379                                    | 1,409,280             | 7,457                                 | 1,254,146                      | 155,134                       | 11.0                             |
| Others                | 2,073                       | 16,157                                   | 33,493                | 11,120                                | 23,051                         | 10,442                        | 31.2                             |
| <b>Total</b>          | <b>308,943</b>              | <b>14,600</b>                            | <b>4,510,502</b>      | <b>9,676</b>                          | <b>2,989,190</b>               | <b>1,521,312</b>              | <b>33.7</b>                      |

Revenue of EMM and alloying materials production segment decreased by 25.1% to HK\$3,377.0 million in 2022 (2021: HK\$4,510.5 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 8.1% to HK\$20,322 per tonne (2021: HK\$22,121 per tonne). The sales volume of EMM Products also decreased by 14.6% to 118,500 tonnes in 2022 (2021: 138,682 tonnes) mainly due to the Group has slowed down its production to carry out upgrades on production plants and also partly because of production halts due to the lockdowns in China to contain the spread of COVID-19. This also led to the increase in the unit cost of sales in 2022.
- (b) The revenue of silicomanganese alloy decreased by 35.8% to HK\$905.3 million (2021: HK\$1,409.3 million) mainly attributable to decrease in sales volume by 36.6% to 106,612 tonnes in 2022 (2021: 168,188 tonnes).

As a result of decrease in sales volume of EMM Products and silicomanganese alloy and increase in unit cost of productions, the gross profit contribution of EMM and alloying materials production segment decreased by 74.0% to HK\$396.3 million (2021: HK\$1,521.3 million) and the EMM and alloying materials production segment recorded a profit of HK\$180.2 million (2021: HK\$895.0 million), representing a decrease of 79.9%.

### ***Battery materials production segment***

|                         | Sales<br>Volume<br>(tonnes) | Average<br>Selling Price<br>(HK\$/Tonne) | Revenue<br>(HK\$'000) | Unit Cost<br>of Sales<br>(HK\$/Tonne) | Cost of<br>Sales<br>(HK\$'000) | Gross Profit/<br>(Loss)<br>(HK\$'000) | Gross Profit/<br>(Loss) Margin<br>(%) |
|-------------------------|-----------------------------|--|-----------------------|---------------------------------------|--------------------------------|---------------------------------------|---------------------------------------|
| <b>Year 2022</b>        |                             |  |                       |                                       |                                |                                       |                                       |
| EMD                     | 78,981                      | 16,644                                   | 1,314,574             | 8,828                                 | 697,208                        | 617,366                               | 47.0                                  |
| Manganese sulfate       | 17,967                      | 3,999                                    | 71,855                | 4,417                                 | 79,365                         | (7,510)                               | (10.5)                                |
| Lithium manganese oxide | 6,020                       | 99,597                                   | 599,574               | 85,933                                | 517,314                        | 82,260                                | 13.7                                  |
| NCM                     | 3                           | 219,667                                  | 659                   | 101,667                               | 305                            | 354                                   | 53.7                                  |
| <b>Total</b>            | <b>102,971</b>              | <b>19,293</b>                            | <b>1,986,662</b>      | <b>12,569</b>                         | <b>1,294,192</b>               | <b>692,470</b>                        | <b>34.9</b>                           |
| <b>Year 2021</b>        |                             |  |                       |                                       |                                |                                       |                                       |
| EMD                     | 119,539                     | 10,741                                   | 1,283,990             | 7,605                                 | 909,083                        | 374,907                               | 29.2                                  |
| Manganese sulfate       | 27,798                      | 3,780                                    | 105,089               | 3,239                                 | 90,031                         | 15,058                                | 14.3                                  |
| Lithium manganese oxide | 6,012                       | 43,236                                   | 259,936               | 34,371                                | 206,640                        | 53,296                                | 20.5                                  |
| NCM                     | 192                         | 129,740                                  | 24,910                | 122,438                               | 23,508                         | 1,402                                 | 5.6                                   |
| <b>Total</b>            | <b>153,541</b>              | <b>10,902</b>                            | <b>1,673,925</b>      | <b>8,006</b>                          | <b>1,229,262</b>               | <b>444,663</b>                        | <b>26.6</b>                           |

Revenue of battery materials production segment increased by 18.7% to HK\$1,986.7 million (2021: HK\$1,673.9 million) and gross profit of this segment increased by 55.7% to HK\$692.5 million (2021: HK\$444.7 million) mainly attributable to the followings:

- (a) EMD continued to be our major battery materials product and the average selling price of EMD increased by 55.0% to HK\$16,644 per tonne (2021: HK\$10,741 per tonne). The above impact was partially offset by the decrease of sales volume of EMD by 33.9% to 78,981 tonnes (2021: 119,539 tonnes).
- (b) In 2022, the average selling price of lithium manganese oxide increased by 130.3% to HK\$99,597 per tonne (2021: HK\$43,236 per tonne) in line with significant surge in unit cost brought by skyrocketed price of lithium carbonate.

As a result, the battery materials production segment recorded a profit of HK\$575.4 million (2021: HK\$292.8 million), representing an increase of 96.5%.

#### ***Other business segment***

|                  | <b>Revenue</b><br><i>(HK\$ '000)</i> | <b>Cost of Sales</b><br><i>(HK\$ '000)</i> | <b>Gross Profit</b><br><i>(HK\$ '000)</i> | <b>Gross Profit Margin</b><br><i>(%)</i> |
|------------------|--------------------------------------|--|---|--|
| <b>Year 2022</b> |                                      |  |   |  |
| Trading          | <u><u>9,410,956</u></u>              | <u><u>9,373,737</u></u>                    | <u><u>37,219</u></u>                      | <u><u>0.4</u></u>                        |
| <b>Year 2021</b> |                                      |  |   |  |
| Trading          | <u><u>5,924,641</u></u>              | <u><u>5,795,461</u></u>                    | <u><u>129,180</u></u>                     | <u><u>2.2</u></u>                        |

Revenue of other business segment increased by 58.8% to HK\$9,411.0 million (2021: HK\$5,924.6 million) mainly because the Group cautiously expanded its trading business of manganese ore and non-manganese metals to build up the supply chain operations in Guangxi, Shanghai and Hong Kong.



### ***Cost of Sales***

Total cost of sales increased by 39.7% to HK\$14,659.6 million in 2022 (2021: HK\$10,491.8 million) in line with the increase of the revenue and also cost of sales from trading business.

### ***Gross Profit***

In 2022, the Group recorded a gross profit of HK\$1,372.3 million (2021: HK\$2,338.9 million), which represented a decrease of HK\$966.6 million from 2021, or 41.3%. The Group's overall gross profit margin was 8.6%, representing a decrease of 9.6 percentage points from 18.2% in 2021. Decreased overall gross profit margin was mainly attributable to decrease in gross profit margin of our EMM Products.

### ***Other Income and Gains***

Other income and gains increased by 15.7% to HK\$183.2 million (2021: HK\$158.4 million) in 2022 mainly due to foreign exchange gains recorded in 2022.

### ***Selling and Distribution Expenses***

Selling and distribution expenses increased by 32.5% to HK\$179.4 million (2021: HK\$135.4 million) in 2022 mainly attributable to increase in transportation costs and storage charges.

### ***Administrative Expenses***

Administrative expenses increased by 5.4% to HK\$623.9 million (2021: HK\$592.2 million) in 2022 mainly attributable to increase in research and development expenses on battery materials products.

### ***Impairment Losses on Mining Rights***

In 2022, the demand of manganese ores decreased significantly near the region of Changgou Manganese Mine and Waifu Manganese Mine as the local EMM manufacturers slowed down their productions. Furthermore, there was shrinkage of demand for downstream steel products in China in 2022 and the Group expects the oversupply of manganese ores in these local regions may sustain for a certain period. In response, the Group made alternations to the investment and expansion plans of Changgou Manganese Mine and Waifu Manganese Mine to contain our cash level. Further alternations of the investment plans led to adjustments to value-in-use of these two mines, as a result, impairment losses on mining rights of HK\$70.9 million and HK\$48.8 million were recognised in respect of Changgou Manganese Mine and Waifu Manganese Mine respectively in 2022. Further information of the above impairments is as follow:

#### ***(a) Changgou Manganese Mine***

In 2022, the Group recognised an impairment loss of HK\$70.9 million in respect of Changgou Manganese Mine owned by our 64%-owned subsidiary Zunyi Group to write down to the recoverable amount of the mining right and its related infrastructure and plant and machinery (“CGU”) of HK\$332.6 million.

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

|  | <b>31 December<br/>2022</b> | 31 December<br>2021 |
|--|-----------------------------|---------------------|
| (a) Production volume of ore ('000 tonnes) |                             |                     |
| i) First year of production                | <b>288</b>                  | 338                 |
| ii) Second and third years of production   | <b>636</b>                  | 636                 |
| iii) Fourth to last year of production     | <b>4,773</b>                | 5,611               |
|  | <b><u>5,697</u></b>         | <b><u>6,585</u></b> |
| (b) Average selling price (HK\$/tonnes)    | <b>442</b>                  | 502                 |
| (c) Pre-tax discount rate                  | <b>14.6%</b>                | 11.1%               |

The production volume was determined based on estimated ore reserves which was assessed by the Local Bureau of Geology and Mineral Exploration in accordance with the relevant rules governing the exploration of geology and mineral resources and future production plan as expanded starting from the year 2023.

The assumed average ore selling price of HK\$442 per tonne (equivalent to RMB391 per tonne) over the remaining useful life of the mining rights was estimated with reference to historic average market price of ore and current market condition in accordance with Guiding Opinions on Determination of Mining Rights Evaluation Parameters (or “礦業權評估參數確定指導意見” in Chinese).

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

(b) *Waifu Manganese Mine*

In 2022, the Group recognised an impairment loss of HK\$48.8 million in respect of Waifu Manganese Mine wholly owned by the Group to write down to the recoverable amount of the mining right and its related infrastructure and plant and machinery (“CGU”) of HK\$9.2 million.

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

|  | <b>31 December<br/>2022</b> |
|--|-----------------------------|
| (a) Production volume of ore ('000 tonnes) |                             |
| i) First year of production                | –                           |
| ii) Second and third years of production   | –                           |
| iii) Fourth to last year of production     | <u>450</u>                  |
|  | <u><b>450</b></u>           |
| (b) Average selling price (HK\$/tonnes)    | <b>300</b>                  |
| (c) Pre-tax discount rate                  | <b>13.1%</b>                |

The production volume was determined based on estimated ore reserves which was assessed by the Local Bureau of Geology and Mineral Exploration in accordance with the relevant rules governing the exploration of geology and mineral resources and future production plan as expanded starting from the year 2026.

The assumed average ore selling price of HK\$300 per tonne (equivalent to RMB266 per tonne) over the remaining useful life of the mining rights was estimated with reference to historic average market price of ore and current market condition.

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

### ***Impairment Losses on Financial Assets, Net***

Impairment losses on financial assets decreased as there was an impairment loss on trade and notes receivables due from one of our major customers including its subsidiaries of HK\$121.0 million in 2021.

### ***Finance Costs***

In 2022, the Group's finance costs remain constant at HK\$221.3 million (2021: HK\$236.0 million).

### ***Other Expenses, net***

Other expenses, net mainly represents inspection fees, donations and other provisions.

### ***Share of Profits and Losses of Associates***

In 2022, share of profits of associates of HK\$611,000 (2021: loss of HK\$297.3 million) represent share of profits of 16.00%-owned associate Qingdao Manganese.

### ***Income Tax Expense***

In 2022, the effective tax rate was 13.3% (2021: 34.8%), being lower than the statutory corporate income tax rates of the jurisdictions in which the Group operates because certain profit-making subsidiaries have utilised their unrecognized tax loss balances in 2022.

### ***Profit Attributable to Owners of the Company***

For 2022, the Group's profit attributable to owners of the Company was HK\$336.1 million (2021: HK\$454.6 million).

### ***Earnings per Share***

For 2022, earnings per share attributable to owners of the Company was HK\$0.0980 (2021: HK\$0.1326).

### ***Final Dividend***

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

### ***Use of Proceeds from IPO***

Up to 31 December 2022, we utilised the net proceeds raised from the IPO in accordance with the designated uses set out in the Prospectus as follows:

| Description  | Amount<br>designated<br>in<br>Prospectus<br>(HK\$ Million) | Amount<br>utilised<br>up to<br>31.12.2022<br>(HK\$ Million) | % utilised   | Amount<br>utilised<br>up to<br>31.12.2021<br>(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  | 308   | 77.6%        | 301   | 75.8%        |
| 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  | <u>1,983</u>   | <u>1,894</u>  | <u>95.5%</u> | <u>1,887</u>  | <u>95.2%</u> |

As at 31 December 2022, proceeds from IPO designated for acquisition of mines and mining rights to the extent of HK\$89.0 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 2022, HK\$7.2 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 2023 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\$89.0 million is expected to be fully utilised on or before the year 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 2022, the currency denomination of the Group's cash and bank balances including pledged deposits were as follows:

| <b>Currency Denomination</b> | <b>2022</b>                | 2021                |
|------------------------------|----------------------------|---------------------|
|                              | <b><i>HK\$ million</i></b> | <i>HK\$ million</i> |
| Denominated in:              |                            |                     |
| RMB                          | <b>1,552.2</b>             | 1,122.5             |
| HKD                          | <b>0.9</b>                 | 1.8                 |
| USD                          | <b>49.4</b>                | 85.5                |
| XAF                          | <b>3.7</b>                 | 36.1                |
| EUR                          | <b>0.1</b>                 | –                   |
|                              | <b><u>1,606.3</u></b>      | <u>1,245.9</u>      |

As at 31 December 2022, our cash and bank balances including pledged deposits were HK\$1,606.3 million (2021: HK\$1,245.9 million) while the Group's borrowings amounted to HK\$4,460.4 million (2021: HK\$4,113.9 million). The Group's borrowings net of cash and bank balances amounted to HK\$2,854.1 million (2021: HK\$2,868.0 million).

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

### ***Other major changes in working capital***

- (a) At 31 December 2022, inventories increased by 32.2% to HK\$1,849.1 million (2021: HK\$1,399.1 million) mainly attributable to (i) increase in inventories and production materials for Gabon Bembélé Manganese Mine and (ii) increase in inventories of manganese ores for production and trading purpose.
- (b) At 31 December 2022, prepayments, other receivables and other assets classified under current assets decreased by 21.7% to HK\$1,380.9 million (2021: HK\$1,764.2 million). It was mainly attributable to delivery of manganese ores purchased by the Group.
- (c) At 31 December 2022, trade and notes payables increased by 65.3% to HK\$2,148.9 million (2021: HK\$1,300.2 million) mainly attributable to (i) increase in trade and notes payables balance of EMM and EMD suppliers due to ramping up of production near the year end and (ii) increase in notes payable balance from trading business.
- (d) At 31 December 2022, other payables and accruals decreased by 30.7% to HK\$1,521.4 million (2021: HK\$2,196.7 million) mainly attributable to (i) decrease in receipt in advance from customers of trading business and (ii) decrease in value-added tax payable in China.

### ***Net current liabilities***

As at 31 December 2022, the Group's net current liabilities reduced to HK\$746.3 million (2021: HK\$1,584.9 million). The decrease in net current liabilities was due to more long-term loans obtained during the year.

### ***Bank and other Borrowings***

As at 31 December 2022, the Group's borrowing structure and maturity profile were as follows:

| <b>Borrowing structure</b>                       | <b>2022</b>                | 2021                  |
|--|----------------------------|-----------------------|
|  | <b><i>HK\$ million</i></b> | <i>HK\$ million</i>   |
| Secured borrowings (including lease liabilities) | <b>841.3</b>               | 42.6                  |
| Unsecured borrowings                             | <b>3,619.1</b>             | 4,071.3               |
|  | <b><u>4,460.4</u></b>      | <b><u>4,113.9</u></b> |

| <b>Maturity profile</b>               | <b>2022</b><br><i>HK\$ million</i> | 2021<br><i>HK\$ million</i> |
|---------------------------------------|------------------------------------|-----------------------------|
| Repayable:                            |                                    |                             |
| On demand or within one year          | <b>3,266.9</b>                     | 3,624.0                     |
| After one year and within two years   | <b>735.7</b>                       | 478.1                       |
| After two years and within five years | <b>457.8</b>                       | 11.8                        |
|                                       | <b>4,460.4</b>                     | 4,113.9                     |
|                                       | <b>4,460.4</b>                     | 4,113.9                     |
| <b>Currency denomination</b>          | <b>2022</b><br><i>HK\$ million</i> | 2021<br><i>HK\$ million</i> |
| Denominated in:                       |                                    |                             |
| RMB                                   | <b>4,147.4</b>                     | 4,060.9                     |
| USD                                   | <b>312.0</b>                       | 53.0                        |
| HK\$                                  | <b>1.0</b>                         | —                           |
|                                       | <b>4,460.4</b>                     | 4,113.9                     |
|                                       | <b>4,460.4</b>                     | 4,113.9                     |

As at 31 December 2022, borrowings as to the amounts of HK\$3,534.7 million (2021: HK\$2,889.0 million) and HK\$925.7 million (2021: HK\$1,224.9 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 1.40% to 9.3%. The floating rate borrowings comprise RMB denominated loans carrying interest at a premium up to 10% above the China Loan Prime Rate.

Overall, aggregate borrowings increased to HK\$4,460.4 million (2021: HK\$4,113.9 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 2022, (a) right-of-use assets of HK\$40.7 million (2021: HK\$147.9 million) related to property, plant and equipment were held under leases; (b) bank balances of HK\$430.8 million (2021: HK\$200.5 million) were pledged to secure certain of the Group's bank acceptance notes payable and bank borrowings; and (c) property, plant and equipment and leasehold lands of HK\$616.5 million (2021: HK\$25.2 million) and trade receivables of HK\$42.4 million (2021: Nil) were pledged to secure certain of the Group's bank and other borrowings.



### *Major Guarantees*

As at 31 December 2022, the outstanding bank loan of an associate, in which the Group has a 33% equity interest, was secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the associate's holding company, according to their respective shareholding percentage on a several basis.

As at 31 December 2022, the associate's banking facilities guaranteed by the Group and the associate's holding company amounted to RMB800.0 million (equivalent to HK\$904.4 million) (2021: RMB800.0 million, equivalent to HK\$980.8 million) and were utilised to the extent of RMB554.9 million (equivalent to HK\$627.3 million) as at 31 December 2022 (2021: RMB559.9 million, equivalent to HK\$685.9 million).

### *Key Financial Ratios of the Group*

|                   | <b>2022</b>  | 2021<br>(restated) |
|-------------------|--------------|--------------------|
| Current ratio     | <b>0.89</b>  | 0.79               |
| Quick ratio       | <b>0.63</b>  | 0.60               |
| Net gearing ratio | <b>90.1%</b> | 92.3%              |

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 and pledged deposits

At 31 December 2022, current ratio and quick ratio increased because more long-term loans was obtained in 2022. Net gearing ratio improved mainly due to profit attributable to owners of the Company in 2022.

### ***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 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\$746.3 million as at 31 December 2022. Subsequent to the year end, the Group has successfully renewed or obtained new bank loans of HK\$3,145.5 million during the period from 1 January 2023 up to 30 September 2023. The directors of the Company, also after taking into account of internally generated funds from its operations and the successful renewals of bank loans during the year 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 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. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment is required either in advance or upon delivery. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one to three months from the invoice date and cash realisation may be further extended by three to six months for those customers paying by bank acceptance notes. Overdue balances are regularly reviewed by senior management. Since the Group's trade and notes receivables related to a large number of diversified customers, there was no significant concentration of credit risk save for a customer described below. The Group did not hold any collateral or other credit enhancements over its trade and notes receivable balances except for those detailed in this section of credit risk.

As at 31 December 2022, the customer with 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 2022, trade receivables from Customer A was HK\$232.5 million (2021: HK\$231.6 million) and represented 21.8% (2021: 20.4%) of the Group’s total trade receivables. The balance was totally overdue and fully provided at 31 December 2022. The Group is now in the process to negotiate a repayment schedule with Customer A and preparing for legal proceedings with an aim to speed up the collections of the outstanding balance.

### ***Interest rate risk***

We are exposed to interest rate risk resulting from fluctuations in interest rates on our floating rate debt. Floating interest rates are subject to interest rate changes in the China Loan Prime Rate as well as movements in LIBOR. If the China Loan Prime Rate increases or LIBOR moves up, our finance costs will increase. In addition, to the extent that we may need to raise debt financing or roll over our short-term loans in the future, any upward fluctuations in interest rates will increase the costs of new debt obligations. The Group secured interest rate swap contracts to effectively lock up certain United States dollars floating rate loan to fixed rate loan to contain interest rate risk from time to time.

### ***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 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 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***

In 2022, although the COVID-19 showed sign of resurgence in China, the Group continues to demonstrate its commitment to its duties and align with the government in adopting measures to contain the epidemics. With the ease of quarantine measures and lockdown policy in China by the end of the year 2022, we are becoming cautiously optimistic about the continuous recovery of the economy of China. Overseas, more and more countries were easing the quarantine measures gradually to co-exist with the COVID-19. We expect global economy are returning to normal gradually.

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

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

As the largest EMD manufacturer in China, we continue to strengthen our leading position in battery materials production segment 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 continues to 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).

### *Change of Auditors*

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

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

### *Suspension of trading, resumption guidance and resumption progress*

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

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

- (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (ii) conduct an appropriate independent investigation into the Audit Issues, assess their impact on the Company’s business operation and financial position, announce the findings and take appropriate remedial actions;

- (iii) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules;
- (iv) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and
- (v) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position.

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

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



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

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

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

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



## **OTHER INFORMATION**

### **Annual General Meeting**

The annual general meeting of the Company is tentatively scheduled to be held on a date to be confirmed (“**2023 AGM**”). Notice of the 2023 AGM will be published and issued to shareholders in due course.

### **Purchase, Redemption or Sale of Listed Securities of the Company**

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

### **Audit Committee**

In compliance with the Listing Rules, the Audit Committee comprising three Independent Non-executive Directors and one non-executive Director has reviewed the accounting policies adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the consolidated results of the Group for the year ended 31 December 2022.

### **Financial Information**

The financial information set out in this announcement does not constitute the Group’s audited accounts for the year ended 31 December 2022, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board.

### **Scope of auditor's work on annual results announcement**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on the preliminary announcement.

### **Corporate Governance**

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

The Board is of the view that the Company has, for the year ended 31 December 2022, save for the deviation from the code provision A.2.1 applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules.

### **Code Provision A.2.1**

#### ***Chairman and Chief Executive Officer***

As detailed in the Corporate Governance Report in our 2021 Annual Report, since 22 December 2020, the posts of Chairman and Chief Executive Officer were combined and Mr. Li Weijian assumed both the Chairman and the Chief Executive Officer of the Company and such practice deviates from code provision A.2.1 of the CG Code as set forth in Appendix 14 to Listing Rules. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors, which can provide sufficient checks to protect the interests of the Company and the Shareholders. The Board is keeping this situation under review and will separate the role of Chairman and Chief Executive Officer when it is in the Company’s best interests to do so.

### **Model Code for Securities Transactions by Directors**

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

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

### **Publication of Final Results and Annual Report on the Stock Exchange**

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

## **Our Appreciation**

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

## **PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS**

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

## **GLOSSARY OF TERMS**

|                             |  |
|-----------------------------|--|
| Audit Committee             | audit committee of the Company   |
| 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   |
| Changgou Manganese Mine     | 貴州遵義匯興鐵合金有限責任公司長溝錳礦 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine)  |
| China or PRC                | the People's Republic of China, but for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan  |
| Company or our Company      | South Manganese Investment Limited, which is listed on the Stock Exchange (Stock Code: 1091.HK)  |

|                   |  |
|-------------------|--|
| Daxin EMD Plant   | an EMD production plant located in Daxin county, Guangxi, owned and operated by a wholly owned subsidiary of the Group   |
| Director(s)       | the director(s) of our Company   |
| EMD               | electrolytic manganese dioxide   |
| EMM               | electrolytic manganese metal   |
| EMM Products      | EMM and manganese briquette  |
| 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)   |
| IPO               | the initial public offering and listing of Shares of the Company on the main board of the Stock Exchange on 18 November 2010   |
| 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  |
| 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 |

|                       |   |
|-----------------------|---|
| 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  |
| 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   |
| Zunyi Company         | 貴州遵義匯興鐵合金有限責任公司 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company), formerly known as 南方錳業集團遵義有限公司 (South Manganese Group Zunyi Co., Ltd.) |
| Zunyi Group           | Zunyi Company together with its subsidiaries  |

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

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

Hong Kong, 29 November 2023

*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.*