



南方錳業投資有限公司

SOUTH MANGANESE INVESTMENT LIMITED

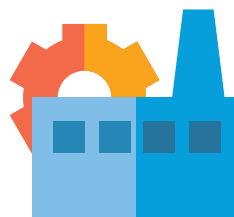
(incorporated in Bermuda with limited liability)

Stock Code: 1091



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Interim Report 2021



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Corporate Information

Board of Directors

Executive Directors

Mr. Li Weijian (Chairman and Chief Executive Officer)
Mr. Zhang He
Mr. Zhang Zongjian

Non-executive Directors

Mr. Lyu Yanzheng
Mr. Cheng Zhiwei
Ms. Cui Ling

Independent Non-executive Directors

Mr. Zhang Yupeng
Mr. Wang Zhihong (resigned on 30 March 2021)
Mr. Yuan Mingliang (appointed on 31 March 2021)
Mr. Lin Zhijun (resigned on 31 July 2021)
Mr. Lau Wan Ki (appointed on 31 July 2021)

Audit Committee

Mr. Lin Zhijun
(ceased to be Chairman on 31 July 2021)
Mr. Lau Wan Ki (appointed as Chairman on 2 August 2021)
Mr. Zhang Yupeng
Ms. Cui Ling
Mr. Wang Zhihong
(ceased to be member on 30 March 2021)
Mr. Yuan Mingliang
(appointed as member on 31 March 2021)

Remuneration Committee

Mr. Wang Zhihong
(ceased to be Chairman on 30 March 2021)
Mr. Yuan Mingliang
(appointed as Chairman on 31 March 2021)
Mr. Li Weijian
Mr. Zhang He
Mr. Zhang Yupeng
Mr. Lin Zhijun (ceased to be member on 31 July 2021)
Mr. Lau Wan Ki (appointed as member on 2 August 2021)

Nomination Committee

Mr. Zhang Yupeng (Chairman)
Mr. Li Weijian
Mr. Zhang He
Mr. Wang Zhihong
(ceased to be member on 30 March 2021)
Mr. Yuan Mingliang
(appointed as member on 31 March 2021)
Mr. Lin Zhijun (ceased to be member on 31 July 2021)
Mr. Lau Wan Ki (appointed as member on 2 August 2021)

Company Secretary

Mr. Lau Wai Yip (resigned on 30 June 2021)
Mr. Leung Chit Yu (appointed on 1 July 2021)

Registered Office

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

Headquarters and Principal Place of Business in Hong Kong

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

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

Principal Place of Business in the PRC

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

Bermuda Principal Share Registrar and Transfer Office

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



Corporate Information

Hong Kong Branch Share Registrar and Transfer Office

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

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27th Floor, One Taikoo Place,
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

Authorised Representatives

Mr. Li Weijian
Mr. Lau Wai Yip
(ceased to be authorised representative on 30 June 2021)
Mr. Leung Chit Yu
(appointed as authorised representative on 1 July 2021)

Principal Bankers

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

Stock Code

1091 (Mainboard of the Stock Exchange)

Company Website

www.southmn.com



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

Six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
REVENUE	4	4,228,335	2,123,141
Cost of sales		(3,514,341)	(1,852,976)
Gross profit		713,994	270,165
Other income and gains	4	74,357	93,574
Selling and distribution expenses		(59,822)	(46,671)
Administrative expenses		(251,436)	(157,234)
Impairment losses on property, plant and equipment	6	(45,557)	–
Impairment losses on financial assets, net	6	(129,416)	(10,874)
Impairment loss on an investment in an associate	6	(15,325)	–
Finance costs	5	(98,867)	(108,426)
Other expenses		(10,564)	(5,424)
Share of profits and losses of:			
– Associates		(103,082)	(20,962)
– A joint venture		–	1,757
		74,282	15,905
Gain on bargain purchase from further acquisition of equity interest in a joint venture	6	–	69,411
Loss on deemed disposal of partial interest in an associate	6	–	(92,375)
PROFIT/(LOSS) BEFORE TAX	6	74,282	(7,059)
Income tax expense	7	(50,166)	(10,266)
PROFIT/(LOSS) FOR THE PERIOD		24,116	(17,325)
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Other comprehensive income/(loss) 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		330	1,304
– Exchange differences on translation of foreign operations		35,795	(42,308)
– Cash flow hedges, net of tax		2,541	(2,219)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		62,782	(60,548)
Profit/(loss) attributable to:			
Owners of the parent		22,060	(8,107)
Non-controlling interests		2,056	(9,218)
		24,116	(17,325)
Total comprehensive income /(loss) attributable to:			
Owners of the parent		59,112	(63,977)
Non-controlling interests		3,670	3,429
		62,782	(60,548)
Earnings/(loss) per share attributable to ordinary equity holders of the parent:	8		
– Basic		HK\$0.0064	HK\$(0.0024)
– Diluted		HK\$0.0064	HK\$(0.0024)



Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,412,857	3,354,950
Investment properties		116,159	115,394
Right-of-use assets	11	568,018	676,101
Intangible assets	12	560,481	478,014
Investments in associates	13	234,655	306,245
Due from an associate	13	–	–
Deferred tax assets	14	79,146	87,896
Prepayments and other assets	17	172,296	68,000
Total non-current assets		5,143,612	5,086,600
CURRENT ASSETS			
Inventories	15	791,836	528,237
Trade and notes receivables	16	1,088,168	1,428,827
Prepayments, other receivables and other assets	17	994,786	817,400
Due from related companies	29	21,732	4,217
Due from associates	13	11,399	17,880
Tax recoverable		507	504
Pledged deposits	18	31,665	45,495
Cash and cash equivalents	18	803,541	1,129,543
Total current assets		3,743,634	3,972,103
CURRENT LIABILITIES			
Trade and notes payables	19	615,977	683,757
Other payables and accruals	20	1,073,668	919,595
Derivative financial instruments	21	745	3,286
Interest-bearing bank and other borrowings	22	3,503,145	2,675,964
Due to related companies	29	1,233	1,873
Tax payable		12,259	3,136
Total current liabilities		5,207,027	4,287,611
NET CURRENT LIABILITIES		(1,463,393)	(315,508)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,680,219	4,771,092
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	22	703,767	1,893,415
Deferred tax liabilities	14	251,965	220,295
Other long-term liabilities		47,423	47,111
Deferred income	24	63,209	59,198
Total non-current liabilities		1,066,364	2,220,019
Net assets		2,613,855	2,551,073



Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	342,846	342,846
Reserves	26	2,234,100	2,174,988
		2,576,946	2,517,834
Non-controlling interests			
		36,909	33,239
Total equity		2,613,855	2,551,073

Li Weijian
Director

Zhang He
Director



Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2021

	Attributable to owners of the parent												Total equity HK\$'000
	Issued share HK\$'000	Contributed surplus HK\$'000	Hedging reserve HK\$'000	Share option reserve HK\$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment related reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 31 December 2020 and 1 January 2021 (audited)	342,846	2,461,249	(3,286)	40,587	(4,150)	186,223	110,848	312	2,051	(618,846)	2,517,834	33,239	2,551,073
Profit for the period	-	-	-	-	-	-	-	-	-	22,060	22,060	2,056	24,116
Other comprehensive income for the period:													
- Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	330	-	-	-	-	-	330	-	330
- Exchange difference on translation of foreign operations	-	-	-	-	-	-	34,181	-	-	-	34,181	1,614	35,795
- Cash flow hedge, net of tax	-	-	2,541	-	-	-	-	-	-	-	2,541	-	2,541
Total comprehensive income for the period	-	-	2,541	-	330	-	34,181	-	-	22,060	59,112	3,670	62,782
Provision of special reserve (note 26(a))	-	-	-	-	-	18,941	-	-	-	(18,941)	-	-	-
Utilisation of special reserve (note 26(a))	-	-	-	-	-	(18,452)	-	-	-	18,452	-	-	-
Transfer of share option reserve upon forfeiture of share option	-	-	-	(40,587)	-	-	-	-	-	40,587	-	-	-
At 30 June 2021 (unaudited)	342,846	2,461,249*	(745)*	-*	(3,820)*	186,712*	145,029*	312*	2,051*	(556,688)*	2,576,946	36,909	2,613,855



Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2021

	Attributable to owners of the parent												Total equity HK\$'000
	Issued capital HK\$'000	Contributed surplus HK\$'000	Hedging reserve HK\$'000	Share option reserve HK\$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment related reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 31 December 2019 and 1 January 2020 (audited)	342,846	2,453,063	(3,977)	41,804	(5,332)	169,342	(39,333)	312	1,602	(156,588)	2,803,739	34,687	2,838,426
Loss for the period	-	-	-	-	-	-	-	-	-	(8,107)	(8,107)	(9,218)	(17,325)
Other comprehensive income/(loss) for the period:													
Charge in fair value of financial assets at fair value through other comprehensive income net of tax	-	-	-	-	1,304	-	-	-	-	-	1,304	-	1,304
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(54,955)	-	-	-	(54,955)	12,647	(42,308)
Cash flow hedges, net of tax	-	-	(2,219)	-	-	-	-	-	-	-	(2,219)	-	(2,219)
Total comprehensive income/(loss) for the period	-	-	(2,219)	-	1,304	-	(54,955)	-	-	(8,107)	(63,977)	3,429	(60,548)
Provision for special reserve (note 26(a))	-	-	-	-	-	15,113	-	-	-	(15,113)	-	-	-
Utilisation of special reserve (note 26(a))	-	-	-	-	-	(10,504)	-	-	-	10,504	-	-	-
Transfer from accumulated losses (note 26(a))	-	-	-	-	-	4,024	-	-	-	(4,024)	-	-	-
At 30 June 2020 (Unaudited)	342,846	2,453,063	(6,196)	41,804	(4,028)	177,975	(94,288)	312	1,602	(173,328)	2,739,762	38,116	2,777,878

* These reserve accounts comprise the consolidated reserves of HK\$2,234,100,000 in the interim condensed consolidated statement of financial position (31 December 2020: HK\$2,174,988,000).



Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash flows generated from operating activities		464,076	391,488
Net cash flows used in investing activities		(362,187)	(238,486)
Net cash flows (used in)/generated from financing activities		(435,493)	299,623
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(333,604)	452,625
Cash and cash equivalents at beginning of period		1,129,543	1,103,606
Effect of exchange rate changes, net		7,602	(21,317)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		803,541	1,534,914
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	835,206	1,550,192
Less: Pledged deposits	18	(31,665)	(15,278)
Cash and cash equivalents at end of period		803,541	1,534,914



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

1. Corporate information

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

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

2. Basis of preparation and changes to accounting policies

2.1 Basis of preparation

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

In preparing the interim condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$1,463.4 million as at 30 June 2021. Subsequent to the end of the reporting period, the Group has successfully obtained new short-term bank loans of HK\$324.9 million during the period from 1 July 2021 up to the date of this report. In addition, as the Group has been able to repay its bank loans when due so far, certain PRC banks have confirmed to the Group in writing that they will extend new loans totalling HK\$175.2 million to the Group upon repayment of certain short-term bank loans in the second half of the year 2021. The directors of the Company, also taking into account of internally generated funds from its operations, are of the opinion that, the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period. Accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 9,
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

2. Basis of preparation and changes to accounting policies (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. Since the interest rates of interest-bearing bank borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “**economically equivalent**” criterion is met.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group as the Group did not obtain any rent concessions.

3. Operating segment information

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

- (a) Manganese mining segment (PRC and Gabon)

The manganese mining and ore processing 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;



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

3. Operating segment information (continued)

(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 alloys;

(c) Battery materials production segment (PRC)

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

(d) Other business segment (PRC and HK)

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, non-lease-related finance costs, fair value gain/loss from the Group's financial instruments, production halt expenses as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, deferred tax liabilities, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

3. Operating segment information (continued)

	Manganese mining		EMM and alloying materials production	Battery materials production	Other business	Total
	PRC	Gabon	PRC	PRC	PRC & HK	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2021 (Unaudited)						
Segment revenue:						
Sales to external customers	69,931	289,429	1,958,740	701,312	1,208,923	4,228,335
Intersegment sales	–	40,262	–	–	36,518	76,780
Other income and gains from operations	14,979	4,249	31,469	5,745	13,975	70,417
	84,910	333,940	1,990,209	707,057	1,259,416	4,375,532
Reconciliation:						
Elimination of inter segment sales						(76,780)
Revenue, other income and gains from operations						4,298,752
Segment results	24,158	38,334	173,145	119,049	(106,967)	247,719
<i>Reconciliations:</i>						
Interest income						3,940
Corporate and other unallocated expenses						(78,842)
Finance costs (other than interest on lease liabilities)						(98,535)
Profit before tax						74,282
Income tax expense						(50,166)
Profit for the period						24,116
Assets and liabilities						
Segment assets	953,524	229,572	4,035,143	1,632,410	1,059,779	7,910,428
<i>Reconciliations:</i>						
Corporate and other unallocated assets						976,818
Total assets						8,887,246
Segment liabilities	445,560	75,511	611,322	260,623	338,796	1,731,812
<i>Reconciliations:</i>						
Corporate and other unallocated liabilities						4,541,579
Total liabilities						6,273,391



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

3. Operating segment information (continued)

	Manganese mining		EMM and alloying materials production	Battery materials production	Other business	Total
	PRC	Gabon	PRC	PRC	PRC & HK	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2020 (Unaudited)						
Segment revenue:						
Sales to external customers	46,903	–	1,518,711	323,335	234,192	2,123,141
Intersegment sales	–	–	–	–	21,096	21,096
Other income and gains from operations	1,909	29,947	19,688	6,457	17,575	75,576
	48,812	29,947	1,538,399	329,792	272,863	2,219,813
Reconciliation:						
Elimination of inter segment sales						(21,096)
Revenue, other income and gains from operations						2,198,717
Segment results	1,892	24,579	97,028	115,902	(97,344)	142,057
<i>Reconciliations:</i>						
Interest income						17,998
Corporate and other unallocated expenses						(61,558)
Finance costs (other than interest on lease liabilities)						(105,556)
Loss before tax						(7,059)
Income tax expense						(10,266)
Loss for the period						(17,325)
Assets and liabilities						
Segment assets	771,801	124,933	3,912,533	1,369,311	1,183,005	7,361,583
<i>Reconciliations:</i>						
Corporate and other unallocated assets						1,713,037
Total assets						9,074,620
Segment liabilities	300,830	17,713	690,124	300,536	121,221	1,430,424
<i>Reconciliations:</i>						
Corporate and other unallocated liabilities						4,866,318
Total liabilities						6,296,742

4. Revenue, other income and gains

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods:		
Manganese mining	359,360	46,903
EMM and alloying materials production	1,958,740	1,518,711
Battery materials production	701,312	323,335
Other business	1,208,923	234,192
	4,228,335	2,123,141



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

4. Revenue, other income and gains (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the six months ended 30 June 2021 (Unaudited)

Segments	Manganese mining	EMM and alloying materials	Battery materials	Other business	Total
	HK\$'000	production HK\$'000	production HK\$'000	HK\$'000	HK\$'000
Sale of goods	359,360	1,958,740	701,312	1,208,923	4,228,335
Geographical markets					
Mainland China	198,348	1,901,070	689,781	1,208,923	3,998,122
Asia (excluding Mainland China)	161,012	44,459	7,268	–	212,739
Europe	–	3,277	885	–	4,162
North America	–	9,934	3,378	–	13,312
Total revenue from contracts with customers	359,360	1,958,740	701,312	1,208,923	4,228,335
Timing of revenue recognition					
Goods transferred at a point in time with customers	359,360	1,958,740	701,312	1,208,923	4,228,335

For the six months ended 30 June 2020 (Unaudited)

Segments	Manganese mining	EMM and alloying materials	Battery materials	Other business	Total
	HK\$'000	production HK\$'000	production HK\$'000	HK\$'000	HK\$'000
Sale of goods	46,903	1,518,711	323,335	234,192	2,123,141
Geographical markets					
Mainland China	46,903	1,469,538	300,476	234,192	2,051,109
Asia (excluding Mainland China)	–	41,786	12,155	–	53,941
Europe	–	4,110	2,698	–	6,808
North America	–	3,277	8,006	–	11,283
Total revenue from contracts with customers	46,903	1,518,711	323,335	234,192	2,123,141
Timing of revenue recognition					
Goods transferred at a point in time with customers	46,903	1,518,711	323,335	234,192	2,123,141



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4. Revenue, other income and gains (continued)

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income	3,940	17,998
Gain on disposal of items of property, plant and equipment	–	2,690
Gain on disposal of items of right-of-use assets	–	123
Subsidy income	27,699	17,521
Net subcontracting income	3,199	29,662
Sale of scraps and other materials	19,729	4,916
Rental income	12,824	11,038
Others	6,966	9,626
	74,357	93,574

5. Finance costs

	Note	Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Interest on loans wholly repayable within five years		88,575	96,968
Finance costs for discounted notes receivable		5,981	5,051
Interest expenses on lease liabilities	23	332	2,870
Other finance costs		3,979	3,537
		98,867	108,426



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6. Profit/(loss) before tax

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

	Notes	Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Cost of inventories sold [#]		3,514,304	1,852,344
Write-down of inventories to net realisable value, net [#]		37	632
Depreciation of property, plant and equipment	10	172,911	168,008
Depreciation of right-of-use assets	11	18,150	30,293
Amortisation of intangible assets	12	6,938	9,200
Research and development costs		37,745	10,597
Auditor's remuneration		3,455	1,805
Employee benefit expense		358,044	271,841
Loss/(gain) on disposal of items of property, plant and equipment*		4,733	(2,690)
Gain on disposal of right-of-use assets*		–	(123)
Foreign exchange differences, net*		4,737	6,078
Impairment losses on property, plant and equipment	10	45,557	–
Impairment losses on financial assets included in trade and notes receivables and other receivables, net		129,416	10,874
Impairment losses on non-financial assets included in prepayments, other receivables and other assets, net*		–	(1,296)
Impairment loss on an investment in an associate	13	15,325	–
Variable lease payments not included in the measurement of lease liabilities (included in cost of inventories sold)		3,139	3,131
Expenses relating to leases of low-value assets [^]		1,176	430
Gain on bargain purchase from further acquisition of equity interest in a joint venture (note a)		–	(69,411)
Loss on deemed disposal of partial interest in an associate (note b)		–	92,375

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

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

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

Note a: In March 2020, the Group recorded a gain on bargain purchase of HK\$69,411,000 arising from further acquisition of 65.17% equity interest in Ningbo Dameng Group. Upon completion of the further acquisition, Ningbo Dameng Group ceased to be a joint venture and became a wholly-owned subsidiary of the Group.

Note b: In February 2020, the Group recorded a non-cash extraordinary loss of HK\$92,375,000 resulting from the dilution in the Group's shareholding in GMG from 29.99% to 23.99% as the Group did not participate in GMG's rights issue.



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7. Income tax expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group operate.

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	1,212	3,426
Current – Gabon		
Charge for the period	9,657	–
Deferred (note 14)	39,297	6,840
Total tax charge for the period	50,166	10,266

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had utilised unrecognised tax losses brought forward from prior years to set off against the current period'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 a High and New Technology Enterprise and was 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 corporate income tax

Pursuant to the Gabon Income Tax Law, a company which engages in mining operations in Gabon is subject to CIT at the higher of 35% of its taxable income or 1% of its revenue.



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8. Earnings/(loss) per share attributable to ordinary equity holders of the parent

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The calculation of basic and diluted earnings/(loss) per share are based on:		
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	22,060	(8,107)
Number of shares		
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	3,428,459,000	3,428,459,000

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 nor the six months ended 30 June 2020. No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2021 nor the six months ended 30 June 2020 in respect of dilution as the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: Nil).

10. Property, plant and equipment

	30 June 2021	31 December 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At 1 January 2021/1 January 2020	3,354,950	2,670,964
Additions	207,324	407,954
Transfer from right-of-use assets (note 11)	106,159	–
Acquisition of a subsidiary	–	436,852
Depreciation (note 6)	(172,911)	(381,194)
Impairment (note 6)	(45,557)	(3,582)
Disposals	(46,570)	(32,516)
Exchange realignment	9,462	256,472
At 30 June 2021/31 December 2020	3,412,857	3,354,950

At 30 June 2021, the Group was in the process of applying for the building ownership certificates of certain of its buildings with an aggregate net carrying amount of approximately HK\$150,402,000 (31 December 2020: HK\$152,733,000). The Directors are of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 30 June 2021.

During the course of the Group's major modifications in accordance with the Group's overall strategy to adjust the product mix and shift more to manganese-related battery materials production for the six months period ended 30 June 2021, certain items of plant and machinery became obsolete and idle and an impairment of HK\$45,557,000 was recognised to write down to their recoverable amounts. The recoverable amounts of HK\$26,069,000 of these assets are determined by estimating their fair values less costs to sell.



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11. Right-of-use assets

	Prepaid land lease payments HK\$000	Motor vehicles, plant machinery, tools and equipment HK\$000	Total HK\$000
As at 1 January 2021 (Audited)	528,794	147,307	676,101
Additions	9,542	2,236	11,778
Transfer to property, plant and equipment (note 10)	–	(106,159)	(106,159)
Depreciation (note 6)	(10,424)	(7,726)	(18,150)
Exchange realignment	3,472	976	4,448
30 June 2021 (Unaudited)	531,384	36,634	568,018
As at 1 January 2020 (Audited)	441,730	170,756	612,486
Additions	4,359	15,965	20,324
Acquisition of a subsidiary	64,667	–	64,667
Depreciation	(15,513)	(43,351)	(58,864)
Disposal	–	(4,934)	(4,934)
Exchange realignment	33,551	8,871	42,422
As 31 December 2020 (Audited)	528,794	147,307	676,101

12. Intangible assets

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Mining rights and other intangible assets:		
At 1 January 2021/1 January 2020	478,014	464,093
Additions	74,394	23,608
Amortisation (note 6)	(6,938)	(20,407)
Impairment	–	(18,584)
Exchange realignment	15,011	29,304
At 30 June 2021/31 December 2020	560,481	478,014



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13. Investments in associates and due from associates

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Share of net assets (note a)	545,761	601,909
Loan to an associate	117	117
Less: Impairment (note b)	(311,223)	(295,781)
At 30 June 2021/31 December 2020	234,655	306,245
Amounts due from associates		
– Repayable within one year	53,983	25,167
– Repayable after one year	–	35,006
	53,983	60,173
Less: Impairment	(42,584)	(42,293)
	11,399	17,880

Note a: During the six months ended 30 June 2021, the Group had contributed HK\$44,985,000 (equivalent to RMB37,500,000) to a limited partnership Qingdao Manganese Investment Partnership (Limited Partnership) (青島錳系投資合夥企業(有限合夥)) established in the PRC, which represented 16.35% of its equity interests. The Group retains significant influence over this investment as the Group obtained one seat over seven in its management committee, this investment is accounted for as an associate under equity method.

Note b: According to the announcement issued by GMG on 30 June 2021, GMG was affected adversely due to (i) the continuing worsening of the emergency situation in Myanmar since early 2021, where the Myanmar military has recently imposed martial law to a larger area across Myanmar, certain telecommunications had been interrupted and/or restricted and many countries have announced the arrangements for evacuation of their nationals; and (ii) the continuing spread of the COVID-19, which resulted in certain travel prohibitions and/or restrictions imposed by the governments of Myanmar and China. These factors have affected the valuation of the GMG's business and assets in Myanmar and China.

During the six months period ended 30 June 2021, the Group has used the unaudited financial statements of GMG to accounting for GMG's results under equity method. As GMG is in the course of debt restructuring and negotiation with its sole and major lender banker which exposed as significant financial difficulty, apart from the equity accounting for the loss of the investment, the Group determined that the net investment in GMG is impaired and the impairment loss is determined by assessing the recoverable amount of the investment in GMG which is the higher of its value-in-use or fair value less cost of disposal. At 30 June 2021, due to worsening of the situations as mentioned above, an impairment loss of HK\$15,325,000 was recognised for the investment.



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14. Deferred tax assets and liabilities

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

Deferred tax assets

	Impairment of financial assets HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Total HK\$'000
At 1 January 2021 (Audited)	43,925	43,971	87,896
Deferred tax credited/(charged) to profit or loss during the period (note 7)	2,958	(12,288)	(9,330)
Exchange realignment	292	288	580
At 30 June 2021 (Unaudited)	47,175	31,971	79,146

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Withholding taxes HK\$'000	Fair value adjustments on investment properties HK\$'000	Depreciation allowances in excess of related depreciation and others HK\$'000	Total HK\$'000
At 1 January 2021 (Audited)	153,099	12,692	6,143	48,361	220,295
Deferred tax charged to profit or loss during the period (note 7)	662	-	-	29,305	29,967
Exchange realignment	957	-	58	688	1,703
At 30 June 2021 (Unaudited)	154,718	12,692	6,201	78,354	251,965

15. Inventories

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Raw materials	550,708	342,962
Work in progress	8,127	4,231
Finished goods	301,381	249,698
	860,216	596,891
Less: Inventory provision	(68,380)	(68,654)
	791,836	528,237



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16. Trade and notes receivables

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	1,043,639	1,020,549
Notes receivable	333,118	589,525
	1,376,757	1,610,074
Less: Impairment provision	(288,589)	(181,247)
	1,088,168	1,428,827

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

At 30 June 2021, except for trade receivables of HK\$402,646,000 (31 December 2020: HK\$392,317,000) with an impairment provision of HK\$220,859,000 (31 December 2020: HK\$110,625,000) due from a single customer and its subsidiaries ("**Customer A**"), mainly relating to sales from the trading business and gross subcontracting income, the remaining trade and notes receivables relate to a large number of diversified customers.

At 30 June 2021, included in the balance due from Customer A, there is a trade receivables balance of HK\$260,259,000 (31 December 2020: HK\$268,365,000) due from an associate of the Group (which is also a subsidiary of Customer A) with an impairment provision of HK\$135,653,000 (31 December 2020: HK\$61,352,000).

As at 30 June 2021 and 31 December 2020, the Group has obtained credit enhancements from Customer A including an undertaking to pledge its certain assets, including inventories, property, plant and equipment and other assets as the security for payments of the outstanding receivables. Except for the above, the Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing except overdue trade receivables balances due from Customer A are interest-bearing at 9.5% per annum.

As at 30 June 2021, notes receivable of HK\$59,730,000 (31 December 2020: HK\$90,840,000) were pledged to issue certain bank acceptance notes of HK\$59,730,000 (31 December 2020: HK\$90,840,000).

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within one month	350,741	382,677
One to two months	127,404	85,516
Two to three months	65,136	57,887
Over three months	211,769	313,222
	755,050	839,302



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16. Trade and notes receivables (continued)

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

An ageing analysis of the notes receivable of the Group as at the end of the reporting period, based on the receipt date of the notes and net of loss allowance, is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within one month	255,289	209,109
One to two months	37,680	141,664
Two to three months	2,382	68,362
Over three months and less than six months	37,767	170,390
	333,118	589,525

Transferred financial assets that are derecognised in their entirety

At 30 June 2021, the Group endorsed certain notes receivable accepted by banks in Mainland China (the "Derecognised Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB879,419,000 (equivalent to HK\$1,055,214,000) (31 December 2020: RMB449,876,000, equivalent to HK\$536,252,000). The Derecognised Notes had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

During the six months ended 30 June 2021 and 30 June 2020, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The endorsement has been made evenly throughout the period.

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
At 1 January 2021/1 January 2020	181,247	126,219
Impairment losses, net	109,351	46,182
Acquisition of a subsidiary	-	4,303
Amount written off as uncollectible	(2,477)	(1,799)
Exchange realignment	468	6,342
At 30 June 2021/31 December 2020	288,589	181,247



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16. Trade and notes receivables (continued)

Impairment under HKFRS 9

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

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

As at 30 June 2021

	Ageing				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	1.8%	48.2%	94.9%	95.4%	21.0%
Gross carrying amount (HK\$'000)	893,227	399,213	42,804	41,513	1,376,757
Expected credit losses (HK\$'000)	16,082	192,287	40,603	39,617	288,589

As at 31 December 2020

	Ageing				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	0.5%	59.0%	83.4%	99.1%	11.3%
Gross carrying amount (HK\$'000)	1,345,251	216,550	8,465	39,808	1,610,074
Expected credit losses (HK\$'000)	6,913	127,843	7,056	39,435	181,247

17. Prepayments, other receivables and other assets

Non-current portion

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Prepayments	21,836	894
Deposits	150,460	67,106
	172,296	68,000



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

Current portion

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Prepayments	879,770	771,353
Deposits and other receivables	279,253	181,282
	1,159,023	952,635
Less: Impairment provision	(164,237)	(135,235)
	994,786	817,400

18. Cash and cash equivalents and pledged deposits

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Cash and bank balances	835,206	1,175,038
Less: Pledged deposits for bank acceptance notes	(31,665)	(45,495)
Cash and cash equivalents as stated in the consolidated statements of financial position and cash flows	803,541	1,129,543

As at 30 June 2021, cash and bank balances of the Group denominated in RMB amounting to HK\$790,744,000 (31 December 2020: HK\$1,027,822,000) were deposited with banks in Mainland China. RMB is not freely convertible in the PRC into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

19. Trade and notes payables

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within one month	382,146	388,836
One to two months	86,232	102,932
Two to three months	42,604	61,302
Over three months	104,995	130,687
	615,977	683,757

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



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20. Other payables and accruals

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contract liabilities	163,839	30,761
Other payables	569,881	540,532
Accruals	322,044	330,505
Financial guarantee contracts	17,904	17,797
	1,073,668	919,595

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

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

21. Derivative financial instruments

	30 June 2021 Liabilities HK\$'000 (Unaudited)	31 December 2020 Liabilities HK\$'000 (Audited)
Interest rate swaps	745	3,286

Certain subsidiaries of the Group enter into derivative financial instruments in the normal course of business in order to hedge their exposure to fluctuations in interest rate.



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22. Interest-bearing bank and other borrowings

	30 June 2021			31 December 2020		
	Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
Current						
Lease liabilities (note 23)	5.20-8.70	2021-2022	2,163	5.20-8.70	2021	35,778
Bank loans – unsecured	2.00-4.05	2021-2022	1,886,243	2.62-4.35	2021	2,102,631
Current portion of long-term bank loans – unsecured	3.85-5.46, LIBOR+2.30	2021-2022	1,614,739	4.50-5.46, LIBOR+2.30	2021	537,555
			3,503,145			2,675,964
Non-current						
Lease liabilities (note 23)	5.20	2023	2,785	5.20	2023	3,737
Bank loans – unsecured	3.85-5.46	2022-2023	700,982	3.85-5.46	2022-2023	1,889,678
			703,767			1,893,415
			4,206,912			4,569,379

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	3,500,982	2,640,186
In the second year	700,982	1,430,758
In the third to fifth years, inclusive	–	458,920
	4,201,964	4,529,864
Other loans and lease liabilities:		
Within one year or on demand	2,163	35,778
In the second year	2,489	3,737
In the third to fifth years inclusive	296	–
	4,948	39,515
	4,206,912	4,569,379

At 30 June 2021, except for bank and other borrowings of HK\$405,600,000 (31 December 2020: HK\$438,621,000) which was denominated in United States dollars, all borrowings were in Renminbi.



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23. Lease liabilities

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Carrying amount at 1 January 2021/ 1 January 2020	39,515	101,362
New leases	2,999	6,458
Accretion of interest recognised (note 5)	332	6,834
Payments	(38,117)	(72,485)
Disposals	–	(5,059)
Exchange realignment	219	2,405
Carrying amount at 30 June 2021/31 December 2020	4,948	39,515
Analysed into:		
Current portion	2,163	35,778
Non-current portion	2,785	3,737

24. Deferred income

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
At 1 January 2021/1 January 2020	59,198	57,078
Additions	7,198	7,492
Acquisition of a subsidiary	–	1,161
Amortisation	(3,580)	(10,297)
Exchange realignment	393	3,764
At 30 June 2021/31 December 2020	63,209	59,198

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

25. Share capital

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Issued and fully paid: 3,428,459,000 (31 December 2020: 3,428,459,000) ordinary shares of HK\$0.10 each	342,846	342,846



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

26. Reserves

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

	Note	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contributed surplus		2,461,249	2,461,249
Hedging reserve		(745)	(3,286)
Reserve funds	(a)	186,712	186,223
Fair value reserve of financial assets at fair value through other comprehensive income		(3,820)	(4,150)
Share option reserve		–	40,587
Investment related reserve		2,051	2,051
Exchange fluctuation reserve		145,029	110,848
Capital redemption reserve		312	312
Accumulated losses		(556,688)	(618,846)
		2,234,100	2,174,988

Note:

- (a) In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to:
- appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses, or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital; and
 - pursuant to the relevant regulation in the PRC, provide for the safety fund based on the volume of ore excavated and the turnover of ferroalloy in prior years.

27. Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 11 January 2011, the Company granted 103,000,000 share options to the directors and other employees of the Group under the Scheme upon payment of a nominal consideration of HK\$1 by each of the grantees. The share options became effective on 11 January 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Therefore, on 10 January 2021, all outstanding share option was expired.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were granted on 11 January 2011 and outstanding under the Scheme during the period:

	Six months ended 30 June 2021		Year ended 31 December 2020	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January 2021/1 January 2020	2.81	34,500	2.81	35,500
Forfeited during the period/year	2.81	(34,500)	2.81	(1,000)
At 30 June 2021/31 December 2020	–	–	2.81	34,500

No share option expense has been recognised by the Group during the six months ended 30 June 2021 and 2020 as all share options have been vested in 2014.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

28. Commitments and contingencies

(a) The Group as a lessor

The Group leases its investment properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the period was HK\$12,824,000 (2020: HK\$11,038,000), details of which are included in note 4 to the financial statements.

At 30 June 2021, the total undiscounted minimum lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within one year	5,833	9,842
After one year but within two years	2,322	3,410
After two years but within three years	–	46
	8,155	13,298

(b) Capital commitments of the Group

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Capital expenditure in respect of acquisition of items of property, plant and equipment	438,996	474,013



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

28. Commitments and contingencies (continued)

(c) Contingent liabilities

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

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Guarantees given to banks in connection with facilities granted to an associate	(i)	316,774	314,688
Guarantees given to Guangxi Dameng Manganese Industry Group Co., Ltd. ("Guangxi Dameng") in connection with loans provided to an investee	(ii)	11,999	11,920

- (i) As at 30 June 2021, 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 holding company of the associate according to the shareholding percentage on a several basis.

As at 30 June 2021, the associate's banking facilities guaranteed by the Group and the holding company of the associate amounted to RMB800,000,000 (equivalent to HK\$959,920,000) and were utilised to the extent of RMB562,900,000 (equivalent to HK\$675,424,000) (31 December 2020: RMB564,900,000, equivalent to HK\$673,361,000) by the associate.

- (ii) As at 30 June 2021, the loan facilities provided by Guangxi Dameng to a company (the "borrower"), in which the Group has a 10% equity interest, were guaranteed by the Group and the major shareholder of the borrower according to the shareholding percentage on a several basis.

As at 30 June 2021, the loan facilities guaranteed by the Group and the holding company of the borrower amounted to RMB100,000,000 (equivalent to HK\$119,990,000) and were utilised to the extent of RMB60,000,000 (equivalent to HK\$71,994,000) (31 December 2020: RMB85,000,000, equivalent to HK\$101,320,000) by the borrower.

As at 30 June 2021 and 31 December 2020, the above contingent liabilities have been accounted for in the financial statements.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

29. Related party balances and transactions

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

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Sale of finished goods to related companies	(i)	52,196	59,941
Sale of finished goods to a joint venture	(i)	–	24,029
Purchase of finished goods from Guangxi Dameng	(i)	28,578	15,561
Purchase of raw materials from subsidiaries of Guangxi Dameng	(i)	866	1,613
Purchase of raw materials from a related company	(i)	5,852	–
Purchase of raw materials from a joint venture	(i)	–	826
Provision of water and electricity to Guangxi Dameng	(ii)	–	1
Rental income received from a related company	(iii)	751	689
Maximum balance of bank deposits with related companies during the period	(iv)	98,270	385
Interest income on deposits placed with related companies	(iv)	12	–
Maximum balance of loans to an associate	(v)	49,156	33,498
Interest income on loan provided to an associate	(v)	–	1,294
Receipt of guarantee fee income from a joint venture	(vi)	–	790

Notes:

- (i) These sales and purchases were made at prices based on the mutual agreements between the parties.
- (ii) Reimbursement of electricity and water was based on the actual costs incurred.
- (iii) The rental income was made at rent based on the mutual agreement between the parties.
- (iv) Maximum bank deposits with related companies during the period and related interest income were transacted in the usual and ordinary course of business of the Group.
- (v) A loan to an associate carried interest at 8% per annum and is repayable on demand.
- (vi) The Group is entitled to a guarantee fee income from a joint venture for a guarantee provided to a bank in connection with loans provided.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

29. Related party balances and transactions (continued)

(b) Other transactions with related parties

- (i) The Group has guaranteed banking facilities granted to an associate amounting to HK\$316,774,000 (31 December 2020: HK\$314,688,000) as at the end of the reporting period, as further detailed in note 28(c)(i) to the financial statements.

(c) Outstanding balances with related parties

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
i) Due from related companies		
Trade receivables	19,669	16,720
Prepayments and other receivables	2,063	4,217
	21,732	20,937
ii) Due to related companies		
Trade payables	810	1,452
Other payables	423	421
	1,233	1,873
iii) Bank balances with related companies	2,215	100
iv) Due from associates		
Trade receivables (note 16)	260,259	268,365
Loan to an associate (note 13)	11,399	17,880
	271,658	286,245

Trade receivables from the Group's related companies are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to independent third party customers of the Group. Trade receivables from an associate within the credit period are non-interest-bearing while overdue trade receivables balances are interest-bearing at 9.5% per annum. The Group's prepayments and other receivables from related companies at 30 June 2021 and 31 December 2020 are unsecured, non-interest-bearing and have no fixed terms of repayment.

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

(d) Compensation of key management personnel of the Group

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Salaries, director fees, allowances and benefits in kind	7,253	4,993
Pension scheme contributions	61	168
Total compensation paid to key management personnel	7,314	5,161



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

30. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial assets

	Carrying amounts		Fair values	
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Notes receivable	304,860	589,525	304,860	589,525

Financial liabilities

	Carrying amounts		Fair values	
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Interest-bearing bank and other borrowings (other than lease liabilities)	4,201,964	4,529,864	4,201,964	4,529,864
Derivative financial instruments	745	3,286	745	3,286

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and notes payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from associates and amounts due from/ to related companies approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

The fair values of notes receivables measured at fair value through other comprehensive income and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for notes receivable and interest-bearing bank and other borrowings as at 30 June 2021 were assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with Aa1 credit rating. Derivative financial instruments, including interest rate swaps, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

30. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy

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

Assets and liabilities measured at fair value:

	Fair value measurement using			Total HK\$'000
	quoted prices in active markets (Level 1) HK\$'000	significant observable inputs (Level 2) HK\$'000	significant unobservable inputs (Level 3) HK\$'000	
30 June 2021				
Assets:				
Notes receivable	-	304,860	-	304,860
Liabilities:				
Derivative financial instruments	-	745	-	745
31 December 2020				
Assets:				
Notes receivable	-	589,525	-	589,525
Liabilities:				
Derivative financial instruments	-	3,286	-	3,286

During the six months ended 30 June 2021 and 2020, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total HK\$'000
	quoted prices in active markets (Level 1) HK\$'000	significant observable inputs (Level 2) HK\$'000	significant unobservable inputs (Level 3) HK\$'000	
30 June 2021				
Interest-bearing bank and other borrowings (other than lease liabilities)	-	4,201,964	-	4,201,964
31 December 2020				
Interest-bearing bank and other borrowings (other than lease liabilities)	-	4,529,864	-	4,529,864

31. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 August 2021.



Management Discussion and Analysis

Financial Review

	1H 2021 HK\$'000	1H2020 HK\$'000	Increase/(decrease) HK\$'000	%
Revenue	4,228,335	2,123,141	2,105,194	99.2
Gross profit	713,994	270,165	443,829	164.3
Gross profit margin	16.9%	12.7%	N/A	4.2
Operating profit	367,662	45,984	321,678	699.5
Gain on bargain purchase from further acquisition of equity interest in a joint venture	–	69,411	(69,411)	(100.0)
Impairment losses on property, plant and equipment	(45,557)	–	(45,557)	(100.0)
Impairment losses on financial assets, net	(129,416)	(10,874)	(118,542)	(1,090.1)
Impairment loss on an investment in an associate	(15,325)	–	(15,325)	(100.0)
Loss on deemed disposal of partial interest in an associate	–	(92,375)	92,375	100.0
Share of profits and losses of				
– Associates	(103,082)	(20,962)	(82,120)	(391.8)
– A joint venture	–	1,757	(1,757)	(100.0)
Profit/(loss) before tax	74,282	(7,059)	81,341	1,152.3
Income tax expense	(50,166)	(10,266)	(39,900)	(388.7)
Profit/(loss) for the period	24,116	(17,325)	41,441	239.2
Profit/(loss) attributable to owners of the parent	22,060	(8,107)	30,167	372.1
Profit/(loss) attributable to non-controlling interests	2,056	(9,218)	11,274	122.3
	24,116	(17,325)	41,441	239.2

Financial Highlights

- Revenue amounted to HK\$4,228.3 million for 1H 2021, representing an increase of 99.2% from HK\$2,123.1 million of 1H 2020.
- Gross profit amounted to HK\$714.0 million for 1H 2021, representing an increase of 164.3% from HK\$270.2 million of 1H 2020. Gross profit margin was 16.9% for 1H 2021, representing an increase of 4.2% from 12.7% for 1H 2020.
- Operating profit amounted to HK\$367.7 million for 1H 2021, representing an increase of 699.5% from HK\$46.0 million for 1H 2020.
- Profit attributable to owners of the parent amounted to HK\$22.1 million for 1H 2021 (1H 2020: loss of HK\$8.1 million).

Overview

In 1H 2021, the development of the coronavirus disease (“the COVID-19”) was still affecting the global economy. With the progressive launch of more large scale vaccination covering more people worldwide and certain countries began to relieve the lockdown measures in phases, there are signals indicating that the global economy was gradually restoring to normal. This was evidenced by increasing profits from enterprises and improving unemployment rate. Such phenomenon was largely attributable to the large scale transitory economic stimulus packages carried out by different countries around the world. Nevertheless, there are emerging threats of the COVID-19 variants. We expect the recovery of global economy largely depends on the timing to successfully contain the COVID-19.



Management Discussion and Analysis

As the steel sector is our major downstream industry, its demand for our products largely arising from consumptions within China. China has successfully contained the spread of the COVID-19 at the early stages in the year 2020 and resumed its industrial productions, as in contrary to other countries which were largely affected by the pandemic, the demand for China's products grew significantly. In addition, the dual circulation strategy advocated by the PRC government with increasing consumptions within China and recovery of the automobile industry since 2H 2020 further stimulated the growth of economy. The significant increase in market price of our EMM products in December 2020 had been carried over to the year 2021 and such demand side momentum had been sustained during 1H 2021. As a result, the average selling price of our EMM products for 1H 2021 increased significantly by 51.7% to HK\$16,233 per tonne (1H 2020: HK\$10,700 per tonne). The gross profit ratio of EMM products increased by 11.1% to 26.5% in 1H 2021 (1H 2020: 15.4%) and the gross profit contribution of EMM products increased by 146.1% to HK\$343.7 million in 1H 2021 (1H 2020: HK\$139.7 million).

In 1H 2021, the Group continues our strategy to cautiously invest and expand our battery material products. Given our blueprint laid out in early years and after several years of development and integration of our talents, our production of battery materials including EMD become stabilized and mature. The Group now owns Huiyuan Manganese Plant and Daxin Manganese Plant with a total annual capacity of 120,000 tonnes per annum which is the largest EMD manufacturing plant in China with cost advantages including internal supply of manganese ores stably from our Gabon Bembélé Manganese Mine. The Group is now focusing on seizing market share, strengthening product research and development and expanding our production of other battery material products including lithium manganese oxide and high purity manganese sulfate. It is expected that further commercialization of electric vehicles in China will continue to stimulate the market demands for battery material products including EMD. The Group remains cautiously optimistic of the development of this business segment. In 1H 2021, due to the full period effect from further acquisition of Huiyuan Manganese Plant in March 2020, the sales volume of EMD was nearly double to 52,487 tonnes in 1H 2021 (1H 2020: 28,282 tonnes) while the average selling price of EMD increased by 14.5% to HK\$9,901 per tonne (1H 2020: HK\$8,645 per tonne), the gross profit ratio increased by 5.8% to 32.8% (1H 2020: 27.0%). Therefore, the gross profit contribution of EMD recorded a remarkable increase of 158.0% to HK\$170.4 million (1H 2020: HK\$66.0 million).

In summary, mainly due to increase in average selling prices of EMM products and EMD and increase in sales volume of EMD, the Group's operating profit for 1H 2021 increased by 699.5% to HK\$367.7 million (1H 2020: HK\$46.0 million).

In 1H 2021, the Group had the following major non-cash items:

- (a) Impairment losses on property, plant and equipment of HK\$45.6 million (1H 2020: Nil) was recognised mainly related to certain obsolete plant and machinery during the course of our modifications in accordance with our overall strategy to restructure product mix shifting to more manganese-related battery materials production.
- (b) Impairment losses on financial assets of HK\$129.4 million (1H 2020: HK\$10.9 million) was recognised mainly represents impairment losses on trade and notes receivables including an amount due from one of our major customers and its subsidiaries of HK\$110.2 million (1H 2020: Nil).
- (c) Share of losses of associates of HK\$103.1 million (1H 2020: HK\$21.0 million) mainly represents our share of loss of 33.0% owned Dushan Jinmeng of HK\$93.8 million (1H 2020: HK\$12.7 million). The net loss of Dushan Jinmeng increased in 1H 2021 mainly due to impairment losses on its certain long outstanding receivables and obsolete equipment.

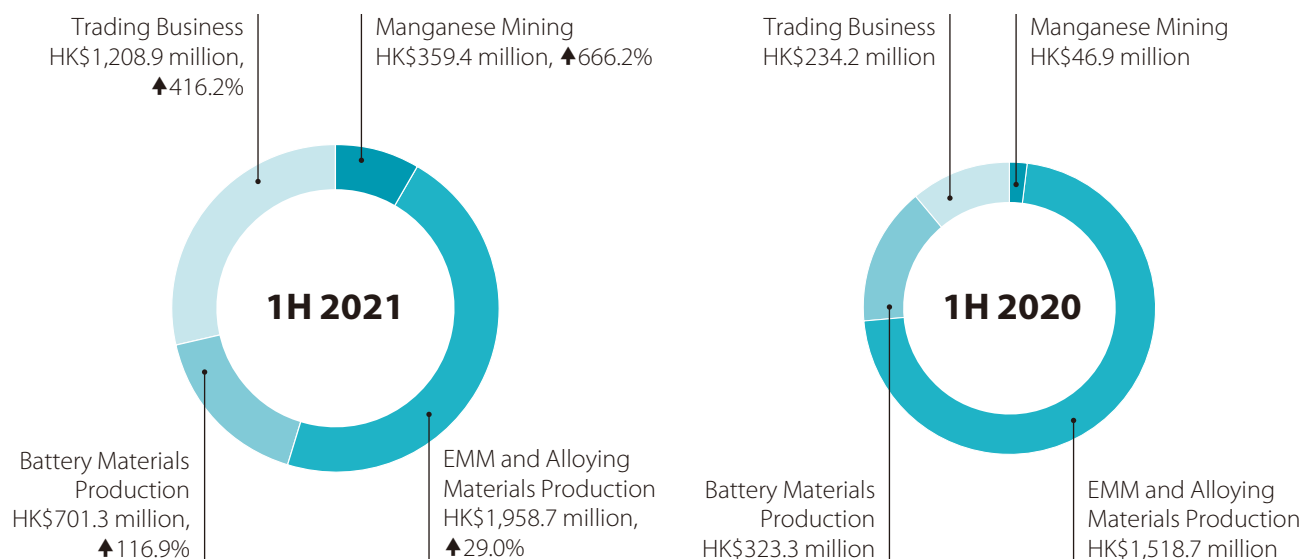
As a result, the earnings before interest, taxes, depreciation and amortisation ("EBITDA") for 1H2021 increased by 26.2% to HK\$367.2 million (1H 2020: HK\$290.9 million) and the profit attributable to owners of the parent of the Group in 1H 2021 was HK\$22.1 million (1H 2020: loss of HK\$8.1 million).



Management Discussion and Analysis

Comparison with six months ended 30 June 2020

Revenue by segment



In 1H 2021, the Group's revenue was HK\$4,228.3 million (1H 2020: HK\$2,123.1 million), representing an increase of 99.2% as compared with 1H 2020. The increase was mainly due to the net effect of (a) increase in average selling prices of EMM products and EMD; (b) substantial increase in sales volume of EMD; (c) increase in sales revenue from Gabon ore; and (d) substantial increase in sales revenue from trading business.

In 1H 2021, the revenue of our major products EMM products accounted for 30.6% (1H 2020: 42.7%) of our total revenue.



Management Discussion and Analysis

Manganese mining segment

	Sales Volume (tonnes)	Average Selling Price (HK\$/tonne)	Revenue (HK\$'000)	Unit Cost of Sales (HK\$/tonne)	Cost of Sales (HK\$'000)	Gross Profit (HK\$'000)	Gross Profit Margin (%)
Six months ended 30 June 2021							
Gabon ore	288,426	1,003	289,429	836	241,059	48,370	16.7
Manganese concentrate	133,214	434	57,864	353	46,969	10,895	18.8
Natural discharging manganese powder and sand	3,972	3,038	12,067	311	1,237	10,830	89.7
Total	425,612	844	359,360	680	289,265	70,095	19.5
Six months ended 30 June 2020							
Gabon ore	-	-	-	-	-	-	-
Manganese concentrate	118,292	334	39,493	291	34,419	5,074	12.8
Natural discharging manganese powder and sand	2,603	2,847	7,410	280	729	6,681	90.2
Total	120,895	388	46,903	291	35,148	11,755	25.1

Results of Gabon Mine

	Six months ended 30 June		Increase/(Decrease)	
	2021 HK\$'000	2020 HK\$'000	HK\$'000	%
Gross profit from sale of Gabon ore	48,370	-	48,370	100.0
Net subcontracting income (note)	3,199	29,662	(26,463)	(89.2)
Total	51,569	29,662	21,907	73.9%

Note: The Group entered into a subcontracting agreement with a subcontractor, the major shareholder of an associate of the Group, entrusting it with certain rights to operate the Group's Bembélé Manganese Mine in Gabon and use the Group's equipment therein under the supervision of the Group and subject to certain conditions for a period of five years commencing from 1 March 2017. During the subcontracting period, the Group continues to control the strategy and significant matters of the mine's operations and the Group receives a fixed income of RMB26,000,000 (equivalent to HK\$31,190,000) per annum plus a variable income upon sales of ores mined and determined with reference to the ore's selling price (the "Gross subcontracting income"). The revenue and cost of sales from the ores of Bembélé Manganese Mine mined by the subcontractor were not recognised in the Group's consolidated statement of profit or loss. Instead, the aggregate of fixed income and variable income, i.e. the gross subcontracting income, after deducting the depreciation expenses of the Group's equipment utilised by the subcontractor above-mentioned is recognised as "Net subcontracting income" under "Other income and gains" in the consolidated statement of profit or loss. On 30 March 2021, the Group and the subcontractor reached an agreement to terminate the subcontracting agreement with effect from 31 December 2020 and the Group began to run the mining operations on its own in 1H 2021.

In 1H 2021, revenue of manganese mining segment increased by 666.2% to HK\$359.4 million (1H 2020: HK\$46.9 million) mainly due to increase in sales revenue of Gabon ore as the Group began to run the mining operations of Bembélé Manganese Mine on its own in 1H 2021. The gross profit of manganese mining segment increased by 496.3% to HK\$70.1 million (1H 2020: HK\$11.8 million) mainly due to increase in sales revenue of Gabon ore and increase in average selling price of manganese concentrate and natural discharging manganese powder and sand.

The net subcontracting income from Gabon Mine decreased by 89.2% to HK\$3.2 million (1H 2020: HK\$29.7 million) as the subcontracting arrangement was terminated in 1H 2021.

All in all, the manganese mining segment recorded a profit of HK\$62.5 million (1H 2020: HK\$26.5 million), an increase of 136.1%.



Management Discussion and Analysis

EMM and alloying materials production segment

	Sales Volume (tonnes)	Average Selling Price (HK\$/tonne)	Revenue (HK\$'000)	Unit Cost of Sales (HK\$/tonne)	Cost of Sales (HK\$'000)	Gross Profit (HK\$'000)	Gross Profit Margin (%)
Six months ended 30 June 2021							
EMM	64,634	16,376	1,058,418	11,909	769,747	288,671	27.3
Manganese briquette	15,180	15,625	237,195	12,000	182,156	55,039	23.2
	79,814	16,233	1,295,613	11,927	951,903	343,710	26.5
Silicomanganese alloy	86,404	7,586	655,459	6,888	595,156	60,303	9.2
Others	882	8,694	7,668	5,214	4,599	3,069	40.0
Total	167,100	11,722	1,958,740	9,286	1,551,658	407,082	20.8
Six months ended 30 June 2020							
EMM	68,206	10,666	727,516	9,010	614,568	112,948	15.5
Manganese briquette	16,435	10,840	178,160	9,214	151,426	26,734	15.0
	84,641	10,700	905,676	9,050	765,994	139,682	15.4
Silicomanganese alloy	91,482	6,588	602,679	6,264	573,070	29,609	4.9
Others	1,499	6,909	10,356	5,444	8,160	2,196	21.2
Total	177,622	8,550	1,518,711	7,585	1,347,224	171,487	11.3

Revenue of EMM and alloying materials production segment increased by 29.0% to HK\$1,958.7 million in 1H 2021 (1H 2020: HK\$1,518.7 million) mainly attributable to the followings:

- EMM products continued to be our major products in terms of revenue and the average selling price of EMM products recorded an increase of 51.7% to HK\$16,233 per tonne (1H 2020: HK\$10,700 per tonne).
- The revenue of silicomanganese alloy increased by 8.8% to HK\$655.5 million in 1H 2021 (1H 2020: HK\$602.7 million) mainly attributable to the increase in average selling price of silicomanganese alloy by 15.1% to HK\$7,586 per tonne in 1H 2021 (1H 2020: HK\$6,588 per tonne).

As a result of increase in average selling prices of EMM products and silicomanganese alloy, the gross profit contribution of EMM and alloying materials production segment increased significantly by 137.4% to HK\$407.1 million (1H 2020: HK\$171.5 million) and this segment recorded a profit of HK\$173.1 million (1H 2020: HK\$97.0 million), an increase of 78.4%.



Management Discussion and Analysis

Battery materials production segment

	Sales Volume (tonnes)	Average Selling Price (HK\$/Tonne)	Revenue (HK\$'000)	Unit Cost of Sales (HK\$/Tonne)	Cost of Sales (HK\$'000)	Gross Profit (HK\$'000)	Gross Profit Margin (%)
Six months ended 30 June 2021							
EMD	52,487	9,901	519,679	6,655	349,306	170,373	32.8
Manganese sulfate	13,721	3,681	50,508	3,042	41,734	8,774	17.4
Lithium manganese oxide	3,183	34,193	108,836	28,930	92,084	16,752	15.4
NCM	176	126,642	22,289	121,227	21,336	953	4.3
Total	69,567	10,081	701,312	7,251	504,460	196,852	28.1
Six months ended 30 June 2020							
EMD	28,282	8,645	244,487	6,309	178,443	66,044	27.0
Manganese sulfate	15,959	3,250	51,866	2,429	38,764	13,102	25.3
Lithium manganese oxide	1,010	25,296	25,549	24,655	24,902	647	2.5
NCM	14	102,357	1,433	95,857	1,342	91	6.4
Total	45,265	7,143	323,335	5,378	243,451	79,884	24.7

Revenue of battery materials production segment increased by 116.9% to HK\$701.3 million (1H 2020: HK\$323.3 million) and gross profit of this segment increased by 146.4% to HK\$196.9 million (1H 2020: HK\$79.9 million) mainly attributable to the followings:

- EMD continued to be our major battery material product and the sales volume of EMD substantially increased by 85.6% to 52,487 tonnes (1H 2020: 28,282 tonnes) after the further acquisition of equity interest of Huiyuan Manganese Plant on 30 March 2020, the Group consolidated the operating results of Huiyuan Manganese Plant for the whole period in 1H 2021 as contrary in which to only three months in 1H 2020. This contributed to an increase in revenue and gross profit in 1H 2021.
- In 1H 2021, the Group obtained more sales order from a major downstream customer which was a leading battery manufacturer in China, therefore, the sales volume and average selling price of lithium manganese oxide increased.

As a result of the net effect of (a) increasing sales volume and average selling price of EMD in 1H 2021 and (b) in 1H 2021 the Group did not record a gain on bargain purchase of HK\$69.4 million from further acquisition of equity interest of Ningbo Dameng Group as contrary to 1H 2020, the results of battery materials production segment recorded a profit of HK\$119.0 million (1H 2020: HK\$115.9 million), an increase of 2.7%.



Management Discussion and Analysis

Other business segment

	Revenue (HK\$'000)	Cost of Sales (HK\$'000)	Gross Profit (HK\$'000)	Gross Profit Margin (%)
Six months ended 30 June 2021				
Trading	1,208,923	1,168,958	39,965	3.3
Six months ended 30 June 2020				
Trading	234,192	227,153	7,039	3.0

Revenue of other business segment increased by 416.2% to HK\$1,208.9 million (1H 2020: HK\$234.2 million) mainly because the Group cautiously resumed its trading business of manganese ore and non-manganese metals in 1H 2021.

Cost of Sales

Total cost of sales increased by 89.7% to HK\$3,514.3 million in 1H 2021 (1H 2020: HK\$1,853.0 million) in line with the increase of the revenue and also the cost of sales from trading business.

Gross Profit

In 1H 2021, the Group recorded a gross profit of HK\$714.0 million (1H 2020: HK\$270.2 million), which represented an increase of HK\$443.8 million from 1H 2020, or 164.3%. The Group's overall gross profit margin was 16.9%, representing an increase of 4.2% from 12.7% in 1H 2020. Improved overall gross profit margin was mainly attributable to increase in average selling prices of our major products including EMM products, EMD and silicomanganese alloy.

Other Income and Gains

Other income and gains decreased by 20.5% to HK\$74.4 million (1H 2020: HK\$93.6 million) mainly due to decrease in net subcontracting income from Bembélé Manganese Mine.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 1H 2021 increased by 28.2% to HK\$59.8 million (1H 2020: HK\$46.7 million) mainly attributable to increase in sales volume and transportation costs of EMD.

Administrative Expenses

Administrative expenses increased by 59.9% to HK\$251.4 million in 1H 2021 (1H 2020: HK\$157.2 million) mainly attributable to (a) increase in staff costs including salaries and social insurance contributions; and (b) increase in product research and development expenses.

Impairment Losses on Property, Plant and Equipment

At 30 June 2021, the Group recognised an impairment loss of HK\$45.6 million in respect of plant and machinery in relation to a production plant in Tiandong. The production plant in Tiandong was originally designed for EMM production and the project was ceased before production commenced due to constraints in local supply of manganese ores because of disputes between local villagers and mine suppliers over the mining operations. In order to resume the project in Tiandong, the Group had carried out feasibility study and intended to transform the production plant to produce high purity manganese sulfate since the year 2019. In 1H 2021, owing to the surge in costs of production including ores and electricity costs, the Group remained hesitant to carry out the project and the timetable in resuming the production of this project became uncertain. Any further delay in resuming the production of the project would lead to an adjustment to the recoverable amount of these assets. Therefore, an impairment loss of HK\$45.6 million was recognised in 1H 2021 to write down to its recoverable amount of HK\$26.1 million. The recoverable amount was determined by estimating the fair values of items of plant and machinery less their costs to sell.



Management Discussion and Analysis

Impairment Losses on Financial Assets, Net

The amount mainly represents impairment allowance on outstanding trade receivables due from one of our major customers including its subsidiaries of HK\$110.2 million as the ageing of the outstanding receivables deteriorates due to passage of time. The Group was in the process to transfer certain of the customer's assets from it to the Group to partially set-off against its outstanding balances and negotiating with it on a repayment schedule.

Impairment Loss on an Investment in an Associate

According to the announcement issued by GMG on 30 June 2021, GMG was affected adversely due to (a) the continuing worsening of the emergency situation in Myanmar since early 2021, where the Myanmar military has recently imposed martial law to a larger area across Myanmar, certain telecommunications had been interrupted and/or restricted and many countries have announced the arrangements for evacuation of their nationals; and (b) the continuing spread of the COVID-19, which resulted in certain travel prohibitions and/or restrictions imposed by the governments of Myanmar and China. These factors have affected the valuation of the GMG's business and assets in Myanmar and China.

In 1H 2021, due to worsening of the situations as mentioned above, an impairment loss of HK\$15,325,000 was recognised for the investment.

Finance Costs

For 1H 2021, the Group's finance costs were HK\$98.9 million (1H 2020: HK\$108.4 million), representing a decrease of 8.8% which was mainly due to the Group's effort to control finance costs and contain outstanding bank borrowings.

Other Expenses

Other expenses of HK\$10.6 million (1H 2020: HK\$5.4 million) mainly include foreign exchange losses, loss on disposals of items of property, plant and equipment and other expenses.

Share of Profits and Losses of Associates

Share of losses of associates of HK\$103.1 million (1H 2020: HK\$21.0 million) mainly represents:

- (a) share of loss of Dushan Jinmeng, a 33.0% associate of the Group, of HK\$93.8 million (1H 2020: HK\$12.7 million) mainly due to impairment losses on its certain long outstanding receivables and obsolete equipment.
- (b) share of loss of GMG, a 23.99% associate of the Group, of HK\$9.1 million (1H 2020: HK\$8.3 million) mainly due to temporary suspension of operations of certain operating mines because of the COVID-19 and political unrest in Myanmar.

Income Tax Expense

In 1H 2021, the effective tax rate is 67.5% (1H 2020: negative 145.4%) which is higher than the statutory corporate income tax rates of the jurisdictions in which the Group mainly operates because certain subsidiaries recording losses in the period did not recognise deferred tax arising from such losses for prudence.

Profit Attributable to Owners of the Parent

For 1H 2021, the Group's profit attributable to owners of the parent was HK\$22.1 million (1H 2020: loss of HK\$8.1 million).

Earnings per Share

For 1H 2021, earnings per share attributable to ordinary equity holders of the Company was HK\$0.0064 (1H 2020: loss per share of HK\$0.0024).

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (1H 2020: Nil).



Management Discussion and Analysis

Liquidity and Financial Resources Cash and Bank Balances

As at 30 June 2021, the currency denomination of the Group's cash and bank balances including pledged deposits are as follows:

Currency denomination	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Denominated in:		
RMB	790.7	1,028.0
HKD	1.7	7.9
USD	34.3	133.2
XAF	8.5	5.8
EUR	–	0.1
	835.2	1,175.0

As at 30 June 2021, our cash and bank balances including pledged deposits were HK\$835.2 million (31 December 2020: HK\$1,175.0 million) while the Group's borrowings amounted to HK\$4,206.9 million (31 December 2020: HK\$4,569.4 million). The Group's borrowings net of cash and bank balances amounted to HK\$3,371.7 million (31 December 2020: HK\$3,394.4 million).

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

Other major changes in working capital

- (a) At 30 June 2021, trade and notes receivables of the Group decreased by HK\$340.7 million to HK\$1,088.2 million (31 December 2020: HK\$1,428.8 million) mainly attributable to increase in discounting of notes receivable to contain cash level.
- (b) At 30 June 2021, prepayments, other receivables and other assets classified under current assets increased by HK\$177.4 million to HK\$994.8 million (31 December 2020: HK\$817.4 million) attributable to prepayment for purchase of manganese ores and non-manganese metals to secure the supplies for production or trading purpose.
- (c) At 30 June 2021, inventories increased by HK\$263.6 million to HK\$791.8 million (31 December 2020: HK\$528.2 million) mainly attributable to increase in inventories of Gabon ore mined by the Group and increase in raw materials purchased in Gabon and China to ramp up production amidst the rebound of the market in 1H 2021.

Net Current Liabilities

As at 30 June 2021, the Group had net current liabilities of HK\$1,463.4 million (31 December 2020: HK\$315.5 million). The increase in net current liabilities was mainly due to certain long-term bank loans becoming repayable within one year have been reclassified from long-term to current at 30 June 2021.



Management Discussion and Analysis

Bank and Other Borrowings

As at 30 June 2021, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Secured borrowings (including lease liabilities)	4.9	39.5
Unsecured borrowings	4,202.0	4,529.9
	4,206.9	4,569.4

Maturity profile	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Repayable:		
On demand or within one year	3,503.1	2,676.0
After one year and within two years	703.5	1,434.5
After two years and within five years	0.3	458.9
	4,206.9	4,569.4

Currency denomination	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Denominated in:		
RMB	3,801.3	4,130.8
USD	405.6	438.6
	4,206.9	4,569.4

As at 30 June 2021, borrowings as to the amounts of HK\$1,886.2 million (31 December 2020: HK\$2,380.6 million) and HK\$2,320.7 million (31 December 2020: HK\$2,188.8 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 2.00% to 8.70%. The floating rate borrowings carry interest up to a premium up to 10% above the China Loan Prime Rate, and USD denominated loans carrying interest at the rate of LIBOR plus a margin of 2.30%.

Overall, aggregate borrowings decreased to HK\$4,206.9 million (31 December 2020: HK\$4,569.4 million). The Group continues to explore various means including short-term or medium-term notes and more long-term bank loans to improve borrowing structure in terms of interest rate level and repayment terms.

Charge on Group Assets

As at 30 June 2021, (a) right-of-use assets of HK\$36.6 million (31 December 2020: HK\$147.3 million) related to property, plant and equipment were held under leases; and (b) bank balances of HK\$31.7 million (31 December 2020: HK\$45.5 million) and notes receivables of HK\$59.7 million (31 December 2020: HK\$90.8 million) were pledged to secure certain of the Group's bank acceptance notes payable.



Management Discussion and Analysis

Guarantees

- (a) As at 30 June 2021, the outstanding bank loan of an associate, in which the Group has a 33.0% equity interest, was secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the holding company of the associate according to their respective shareholding percentage on a several basis.

As at 30 June 2021, the associate's banking facilities guaranteed by the Group and the holding company of the associate amounted to RMB800.0 million (equivalent to HK\$959.9 million) and were utilised to the extent of RMB562.9 million (equivalent to HK\$675.4 million) (31 December 2020: RMB564.9 million, equivalent to HK\$673.4 million).

- (b) As at 30 June 2021, the loan facilities provided by Guangxi Dameng to a company (the "**Borrower**"), in which the Group has a 10% equity interests, were guaranteed by the Group and the major shareholder of the Borrower according to the shareholding percentage on a several basis.

As at 30 June 2021, the loan facilities guaranteed by the Group and the major shareholder of the borrower amounted to RMB100.0 million (equivalent to HK\$120.0 million) (31 December 2020: RMB100.0 million, equivalent to HK\$111.9 million) and were utilised to the extent of RMB60.0 million (equivalent to HK\$72.0 million) (31 December 2020: RMB85.0 million, equivalent to HK\$101.3 million) by the borrower.

Key Financial Ratios of the Group

	30 June 2021	31 December 2020
Current ratio	0.72	0.93
Quick ratio	0.57	0.80
Net Gearing ratio	130.8%	134.8%

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

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

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

At 30 June 2021, current ratio and quick ratio decreased because certain long-term bank loans becoming repayable within one year have been classified from long-term to current at 30 June 2021. Net gearing ratio improved mainly due to total comprehensive income attributable to owners of the parent in 1H 2021.

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.



Management Discussion and Analysis

In preparing the interim condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$1,463.4 million as at 30 June 2021. Subsequent to the end of the reporting period, the Group has successfully obtained new short-term bank loans of HK\$324.9 million during the period from 1 July 2021 up to the date of this report. In addition, as the Group has been able to repay its bank loans when due so far, certain PRC banks have confirmed to the Group in writing that they will extend new loans totalling HK\$175.2 million to the Group upon repayment of certain short-term bank loans in the second half of the year 2021. The directors of the Company, also taking into account of internally generated funds from its operations, are of the opinion that, the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period. Accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

Credit Risk

The Group endeavoured to maintain strict control over its outstanding receivables to minimise credit risk. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one to three months from the invoice date and cash 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 30 June 2021, the customer with the largest balance of trade and notes receivables of the Group was a customer together with its subsidiaries ("**Customer A**") which is principally engaged in manganese ferroalloy production and manganese ore trading in China and manganese mining in Gabon. Customer A maintains close business relationship with major steel plants in China.

Sales to Customer A were on open account with a normal credit period ranging from about 75 days to 100 days from the date of receipt of goods, which can be extended for a further period of 60 days subject to the Company's approval of conversion of the relevant trade receivables to commercial acceptance notes.

To contain the credit risk with Customer A, the Group suspended its trading business with Customer A since 2H 2019, therefore, there was no sales revenue from trading business to Customer A in 1H 2021 (1H 2020: Nil). As at 30 June 2021, trade receivables from Customer A was HK\$402.6 million (31 December 2020: HK\$392.3 million) and represented 38.6% (31 December 2020: 38.4%) of the Group's total trade receivables, which was totally overdue as at 30 June 2021 (31 December 2020: HK\$312.7 million). As the ageing of receivables due from Customer A deteriorates, an further impairment provision of HK\$110.2 million was recognised in 1H 2021. At 30 June 2021, an accumulated impairment provision of HK\$220.8 million (31 December 2020: HK\$110.6 million) was recognised on trade receivables due from it.

In order to contain the increasing credit risk with this customer, the Group had implemented the following measures to safeguard the repayment of the outstanding receivables:

- (i) suspended the trading business with it since 2H 2019;
- (ii) obtained credit enhancements from it including custody of certain of its assets and its undertaking to transfer such to the Group as partial repayment of the outstanding balances;
- (iii) the Group was in the process of transferring the assets in (ii) from Customer A to the Group;
- (iv) renegotiated a repayment schedule with it for repayment of the balances in excess of those that can be set-off in (ii) above.



Management Discussion and Analysis

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 secures interest rate swap contracts to effectively lock up certain United States dollars floating rate loan to fixed rate loan to contain interest rate risk.

Foreign exchange risk

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

- (a) In respect of our trading operations in Hong Kong, our sales and purchases are both denominated in United States dollars. In addition, Hong Kong dollars is pegged to United States dollars and hence foreign exchange risk is minimal.
- (b) In respect of our mining and downstream operations in the PRC, our products are sold to local customers in RMB and to a less extent to overseas customers in United States dollars. Major expenses of our PRC operations are denominated in RMB. Our PRC operations face minimal foreign exchange risks.
- (c) In respect of our Gabon operation, our income is substantially denominated in RMB and United States dollars and all major local operating expenses are denominated in XAF and RMB and the freight charges are denominated in United States dollars.

Investment in Gabon operation is substantially financed by United States dollar loans which are expected to be repaid in the long term out of the project's operating cash inflow from proceeds from ore sale which are denominated in United States dollars and RMB.

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 the first half of 2021 COVID-19 had been effectively under control in the PRC but the Group will continue to demonstrate its commitment to its duties and align with the government in adopting measures to prevent the resurgence of the epidemics. It is expected that with the gradual increase in the vaccination coverage in China, we are cautiously optimistic about the continuous recovery of the economy of the PRC. Overseas, the numbers of reported cases though showing a decreasing trend in certain parts of the world, there are still some areas of reported resurgence of the epidemics and virus mutation. But hopefully with the proper implementation of quarantine and social distancing measures and the wider use of vaccines, economy in the Western countries will return to normal gradually. Since the beginning of 2021, the Group's operating performance improved significantly and its profits increased substantially. The Group will continue to focus on the important business segments such as mines and traditional products, new energy materials, alloying materials, supply chain logistics and integrated solid waste recycling. It 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 first half of the year.



Management Discussion and Analysis

- Although Group becomes the largest EMD manufacturer in China, we continued 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 increase their added value and further extend the applications in electric vehicles and other electric tools and equipment. The Group will actively respond to carbon reduction targets set up by the Chinese government for the 14th Five-Year Plan period and pave the way for development 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 increase of energy efficiency. It announced the “Green” stimulus package with a scale close to US\$195 billion, with focuses including accelerating the development of industries that already have established development base, 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).
- With the promotion of upgrade construction of China-ASEAN Free Trade Areas, more and more steel manufacturers gradually extend their presence into ASEAN and peripheral coastal regions, with increasing demands in downstream crude steel markets. Crude steel production in Qinzhou, Beihai and Fangchenggang in Guangxi, Zhanjiang and the Pearl River Delta in Guangdong, Southeast Asia Vietnam, Malaysia, Indonesia and other regions reached a production capacity of nearly 100 million tonnes, and demand for manganese alloys within the regions exceeded 2 million tonnes. Meanwhile, to actively respond to the strategic adjustment of the national steel sector layout and serve the construction of land and sea passages of the “Belt and Road Initiative”, the transfers of steel production capacity from outside the regions were being vigorously undertaken, the technology level of steel sector was improved, weaknesses in total volume of steel sector were refined, and with the steel product variety enriched and steel sector structure optimized. The government of Guangxi Autonomous Region actively promoted the construction of Fangchenggang steel base, which enabled the technology equipment of the steel sector in such autonomous region to reach national advanced standards, the quality and stability of steel products to have significantly improved, and the demand and supply structure to be more balanced. The ferroalloy sector in Guangxi will soon encounter more developing opportunities, and the Group will grasp such opportunity to rapidly enhance the production capacity of manganese iron alloy products through its technical teams in Qinzhou Ferroalloy Plant and Xingyi Ferroalloy Plant with its light asset model and control of overseas rich ore resources, so as to better serve the Pan-Beibuwan steel base that demonstrates broad development prospects.
- Our efforts spent on marketing of the Gabon ore in the past several years provide an encouraging result. Demands of our Gabon ore both from China and other new emerging markets are increasing. Our first priority now is to secure the stable production of our ores in Gabon and escalate the scale of our production and transportation, including purchase of additional locomotive and wagons as well as extending the length of our industrial spur to satisfy annual transportation of 1 million tonnes of ore by the end of 2021. Following our recent renewal of mining convention with Gabon government, we will allocate more resources in exploration to cover not only the area defined in our mining permit, but also that within our exploration rights of 2,000 square kilometers, so as to control more and higher grade manganese resources for the long term sustainability of Bembélé Manganese Mine.
- For Dushan Jinmeng, we will continue to cooperate with its largest shareholder in furthering the financing and construction of the project. It is expected that one unit of power generation and eight ferroalloy furnaces, equivalent to half of the project’s overall capacity, will be completed and put into production around the end of the year 2021.
- In terms of financing, we will continue our efforts to improve our liquidity and capital structure by exploring various alternatives from debt to equity and to raise necessary funds to finance our operations. In particular, we will put more weight on longer term financing than short term, taking into account of different pricing of various financing alternatives and due consideration will also be given to equity financing which can reduce our gearing ratio and have the possible advantage of expanding our shareholder base. The Group strongly emphasizes the importance of liquidity and will continue to take measures to secure adequate working capital for our business operations.



Human Resources Report

Employees are the root of our enterprise and underpinning our success. We treasure our employees as well as encourage and foster the development of talented and motivated individuals on an ongoing basis in order to support the development and growth of our diverse operations. It is one of our aims as an organization to strive to build a sense of responsibilities and achievement amongst all of our people in a positive working environment. We have comprehensive human resources policy, to provide employees with generous benefits and to protect their rights and interests.

Our Employees

As at 30 June 2021, we have a total of 7,090 employees (30 June 2020: 7,090), mainly in Mainland China, representing 99.44% (30 June 2020: 99.66%). Over 32.24% of our employees are below 41, of which the majority of them are general workers. Therefore, we have a relatively young and equal workforce structure. It is contemplated in the coming years, our workforce composition will remain relatively the same. We have also maintained a workforce with stable turnover for a number of years. For the six months ended 30 June 2021, our overall turnover rate was 4.36% (30 June 2020: 3.16%).

Set out below is a summary of our employee structure and turnover analysis:

Headcount by Location	2021			As at 30 June 2020		
	Male	Female	Total	Male	Female	Total
Hong Kong	10	7	17	10	7	17
Mainland China	4,889	2,161	7,050	4,845	2,221	7,066
Gabon	13	10	23	7	0	7
Total:	4,912	2,178	7,090	4,862	2,228	7,090

Headcount by Age	Hong Kong		Mainland China		Gabon		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
60 and above	1	1	11	21	0	0	12	22
51-59	4	5	1,513	1,433	3	1	1,520	1,439
41-50	2	3	3,263	3,284	7	2	3,272	3,289
31-40	8	5	1,801	1,739	9	4	1,818	1,748
30 and below	2	3	462	589	4	0	468	592
Total:	17	17	7,050	7,066	23	7	7,090	7,090

Headcount by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Senior	4	3	10	8	4	3	18	14
Middle	3	4	107	93	3	2	113	99
Professional	2	3	815	779	2	2	819	784
General	8	7	6,118	6,186	14	0	6,140	6,193
Total:	17	17	7,050	7,066	23	7	7,090	7,090



Human Resources Report

Our Employees (continued)

Employee Turnover

	Hong Kong		Mainland China		Gabon		Group	
	2021	2020	For the six months ended 30 June		2021	2020	2021	2020
Employee Turnover Number	1	2	301	222	7	0	309	224
Employee Turnover Rate	5.88%	11.76%	4.27%	3.14%	30.43%	0%	4.36%	3.16%

Employee Turnover Number by Location	For the six months ended 30 June	
	2021	2020
Hong Kong	1	2
Mainland China	301	222
Gabon	7	0
Total:	309	224

Employee Turnover Number by Age	Hong Kong		Mainland China		Gabon		Group	
	2021	2020	For the six months ended 30 June		2021	2020	2021	2020
60 and above	0	0	49	4	0	0	49	4
51-59	0	0	69	25	1	0	70	25
41-50	1	0	57	42	1	0	59	42
31-40	0	1	65	91	3	0	68	92
30 and below	0	1	61	60	2	0	63	61
Total:	1	2	301	222	7	0	309	224

Development and Training

We place high importance on the training and development of our employees, so as to elevate their performance in their existing positions and to better prepare for their promotion in the future. All our employees are encouraged to participate sufficient degree of professional training in order to help to maximise their performance and realize their full potential. The importance we place on employee development and training is demonstrated by the significant amount of training our employees undertook during the six months ended 30 June 2021.

Set out below is a summary of statistics for the training to our employees:

Percentage of Employees Trained by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	2021	2020	For the six months ended 30 June		2021	2020	2021	2020
Senior	75	100	70	70	0	100	55	85
Middle	67	75	34	35	0	100	34	37
Professional	100	33	41	37	0	50	41	37
General	38	43	59	61	0	0	59	61



Human Resources Report

Development and Training (continued)

Average Training Hours per Employee by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	For the six months ended 30 June							
	2021	2020	2021	2020	2021	2020	2021	2020
Senior	22	35	3	5	0	12	12	17
Middle	12	6	22	6	0	12	17	8
Professional	7	6	8	11	0	12	7	10
General	70	27	15	8	0	0	42	12
Total:	111	74	48	30	0	36	78	47

Supplementary Information to the Company's 2020 Annual Report

Reference is made to the Company's 2020 Annual Report in relation to the section under the heading "Employees Remuneration" in the Human Resources Report.

In addition to the information disclosed in the 2020 Annual Report, the Company would like to provide further details regarding the retirement schemes for its employees as follows.

The employees of the Group in China and Gabon are members of the state-managed retirement benefit schemes operated by the relevant governments. The Group is required to contribute certain percentage of payroll costs to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions. For employees of the Group in Hong Kong which are members of the MPF scheme, the Group contributes 5% of the relevant payroll costs, up to HK\$18,000 per year for each employee to the MPF scheme, which contribution is matched by the employee.

The amount charged to consolidated statement of profit or loss for the year ended 31 December 2020 which amounted to HK\$31,408,000 (2019: HK\$79,482,000) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

At 31 December 2020 and 2019, there were no forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years.

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

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



Environmental, Social and Governance Report

Materiality

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

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

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

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

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

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

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

Basis of preparation

Unless otherwise stated, the basis for preparation of this report is same as the past years. The data in this report, covers companies (including but not limited to South Manganese Group, Daxin Branch, Tiandeng Branch, Chongzuo Branch, Daxin Manganese, Guangxi Start, Qinzhou Dameng New Materials, Guinan Huagong, Hui Xing Company and Huiyuan Manganese, etc), assets and projects in which we have operational control (where we have full authority to implement our operating policies), but does not cover our associated companies nor joint venture.



Environmental, Social and Governance Report

Basis of preparation (continued)

A summary of our key performance indicators in the aforesaid four critical areas during the six months ended 30 June 2021 is set out in the following table:

Critical Areas	Key performance indicators	Six months ended 30 June		
		2021	2020	2019
Safety Production and Labour Protection	Number of Fatalities (Note 1)	0	0	1
	Number of Injuries	0	6	4
	Number of Lost Days Caused by Injuries (Note 2)	0	240	241
Energy Savings and Environmental Protection	Total Electricity Consumption (MWh) (Note 3)	1,122,468	1,132,671	891,935
	(i) Electricity Intensity of EMM (kWh per tonne) (Note 4)	6,574	6,569	6,636
	(ii) Electricity Intensity of EMD (kWh per tonne) (Note 5)	2,003	1,887	N/A
	(iii) Electricity Intensity of silico-manganese alloy (kWh per tonne) (Note 6)	3,960	3,762	N/A
	Total Water Consumption (Tonnes) (Note 7)	1,925,418	2,479,022	2,222,289
	(i) Water Intensity of EMM (m ³ per tonne) (Note 8)	1.45	1.50	2.87
	(ii) Water Intensity of EMD (m ³ per tonne) (Note 9)	2.86	2.61	N/A
	(iii) Water Intensity of silico-manganese alloy (m ³ per tonne) (Note 10)	2.09	0.72	N/A
	Total Greenhouse Gas Emission (Tonnes) (Note 11)	23	25	16
	Waste Slag Volume (Tonnes)	1,293,848	1,037,855	632,106
	Non-hazardous Waste Produced (Tonnes) (Note 12)	435,798	540,285	439,078
Total Packaging Material Used for Finished Products Number	509,612	941,707	699,608	
Quality Operation System Establishment, Employment Training and Growth	Number of Suppliers	367	286	377
	Number of Complaint against our Products	0	0	4
	Number of Complaints and/or Legal Cases regarding Corrupt Practices	0	0	0
	Number of Employees	7,090	7,090	7,407
	Female Ratio (percentage)	30.7	31.4	31.6
Social Contribution, Living Environment and Culture Development	Donation (HKD)	384,481	513,000	523,355



Environmental, Social and Governance Report

Basis of preparation (continued)

Notes:

1. Fatality is the death of an employee as a result of an occupational illness/injury/disease incident in the course of employment.
2. An occupational illness/injury/disease sustained by an employee causing him/her to miss one scheduled workday/shift or more after the day of the injury.
3. The figures include the total electricity consumption for all the EMM, EMD and silico-manganese alloy processing plants during the six months ended 30 June 2021.
4. The figures include the consolidated average electricity usage (kWh) per EMM (tonne) for our EMM production by Daxin EMM Plant, Daxin Manganese EMM Plant, Tiandeng EMM Plant and Guangxi Start EMM Plant during the six months ended 30 June 2021.
5. The figures include the average electricity usage (kWh) per EMD (tonne) for EMD production by Daxin EMD plant and Huiyuan Manganese during the six months ended 30 June 2021. But no such figures were collected during the six months ended 30 June 2019.
6. The figures include the average electricity usage (kWh) per silico-manganese alloy (tonne) for our silico-manganese alloy production by Qinzhou Ferroalloy Plant during the six months ended 30 June 2021. But no such figures were collected during the six months ended 30 June 2019.
7. The figures include the total water consumption for all the EMM, EMD and ferroalloy processing plants during the six months ended 30 June 2021.
8. The figures include the consolidated average electricity usage (m³) per EMM (tonne) for our EMM production by Daxin EMM Plant, Daxin Manganese EMM Plant, Tiandeng EMM Plant and Guangxi Start EMM Plant during the six months ended 30 June 2021.
9. The figures include the average water usage (m³) per EMD (tonne) for our EMD production by Daxin EMD plant and Huiyuan Manganese during the six months ended 30 June 2021. But no such figures were collected during the six months ended 30 June 2019.
10. The figures include the average water usage (m³) per silico-manganese alloy (tonne) for our silico-manganese alloy production by Qinzhou Ferroalloy Plant during the six months ended 30 June 2021. But no such figures were collected during the six months ended 30 June 2019.
11. The figures include the greenhouse gas emission for Qinzhou Ferroalloy Plant.
12. The figures include the tailings produced by Daxin Mine, Tiandeng Mine, Waifu Manganese Mine, Changgou Manganese Mine and Bembélé Manganese Mine.



Environmental, Social and Governance Report

1. Safety Production and Labour Protection

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

During the six months ended 30 June 2021, our major measures are as follows:

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

In China, we have completed the standardization inspection and assessment of work safety for key enterprises in Guangxi Province, and achieved good results.

(2) Strict Implementation of Safety Production Responsibility System:

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

(3) Organize and hold safety production related meetings:

(i) Organize and hold safety production management committee meetings, which mainly involves reviewing the safety and environmental protection work report, reporting on the identification of safety accidents, discussing the annual safety and environmental protection responsibility goals and assessment methods, etc.; and

(ii) Organize a series of special conferences, including a symposium on important standards for safety and environmental protection of tailings dam, and an emergency meeting on safety and fire protection, etc.

(4) Further improve and perfect the safety and environmental protection management system:

(i) Establish and revise the "Production Safety Incident Reporting and Investigation and Processing System", "Personal Protective Equipment Issuance and Use and Health Management System", "Safety Production Risk Management and Control System" and "Safety Risk Warning Report System" and etc.; and

(ii) Compiled "Safety and Environmental Protection Management Personnel Management, Supervision and Evaluation Measures" and "Safety and Environmental Protection Management Objectives and Evaluation Measures", etc.

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

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

(i) We continued to carry out the "Everyday Check" safety activities (i.e. safety, facilities and 6s "three in one" consolidated supervision activities); and

(ii) We commenced 2021 "Safety Production Month" activities, safety knowledge trainings, safety knowledge competition and first aid rescue etc. series of activities regarding safety production.

(iii) Since the outbreak of the COVID-19, we have established a staff health monitoring system and ensure the safety of working environments by strictly cleaning and disinfecting workplaces in accordance with national and regional public health authorities' hygiene management requirements for periods of major infectious diseases.



Environmental, Social and Governance Report

1. Safety Production and Labour Protection (continued)

(6) Strict Compliance with Labour Standards:

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

We prohibited the employment of child, forced or compulsory labour in any of our operations. During the six months ended 30 June 2021, we did not identify any operation or supplier as having significant risk of child labour, young workers exposed to hazardous work, or forced or compulsory labour.

(7) Continuous Investment to the Safety Measures:

We committed to invest in our safety measures for labor protection, including protection accessories, dust prevention and noise removal facilities. During the six months ended 30 June 2021, we have conducted a review in respect of our workplaces regarding the existing adverse effect of occupational diseases and occupational diseases testing and enhanced the protection equipments with those dangerous positions so as to protect the health of our employees.

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

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

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

Set out below is a summary of the fatalities, number of injuries, fatality rate and loss of days caused by injuries during the six months ended 30 June 2021:

Number of Fatalities (by Location)	Six months ended 30 June		
	2021	2020	2019
Hong Kong	0	0	0
Mainland China	0	0	1
Gabon	0	0	0
Total	0	0	1

Number of Injuries (by Location)	Six months ended 30 June		
	2021	2020	2019
Hong Kong	0	0	0
Mainland China	0	6	4
Gabon	0	0	0
Total	0	6	4



Environmental, Social and Governance Report

1. Safety Production and Labour Protection (continued)

Fatality Rate (%) (by Location)	Six months ended 30 June		
	2021	2020	2019
Hong Kong	0	0	0
Mainland China	0	0	0.01
Gabon	0	0	0
Total	0	0	0.01

Number of Lost Days Caused by Injuries (by Location)	Six months ended 30 June		
	2021	2020	2019
Hong Kong	0	0	0
Mainland China	0	240	241
Gabon	0	0	0
Total	0	240	241

There were no fatalities or injuries at work during the six months ended 30 June 2021 due to our efforts in the enhancement of safety production measures.

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

Compliance with Safety Production Rules and Regulations and Labour Standards

During the six months ended 30 June 2021, we continued to strictly follow all the prevailing laws and regulations regarding safety production and labour standards in Hong Kong, Mainland China and Gabon. To the best of our information and knowledge, there are no material non-compliance with the prevailing laws and regulations regarding safety production and labour standards by the Group during the six months ended 30 June 2021.

2. Energy Savings and Environmental Protection

Strict Supervision of Resource Consumption

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

We continued to strictly monitor our resources consumption on an ongoing basis and take effective measures to increase energy efficiency. The electricity consumption and water consumption (including electricity and water intensity) are our top priorities. During the six months ended 30 June 2021, we collected the figures for total electricity consumption and water consumption for all the EMM, EMD and silico-manganese alloy processing plants. Details are set out in the following table:



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

Strict Supervision of Resource Consumption (continued)

	Six months ended 30 June		
	2021	2020	2019
Electricity Consumption (MWh)	1,122,468	1,132,671	891,935
(i) Electricity Intensity of EMM (kWh per tonne)	6,574	6,569	6,636
(ii) Electricity Intensity of EMD (kWh per tonne)	2,003	1,887	N/A
(iii) Electricity Intensity of silico-manganese alloy (kWh per tonne)	3,960	3,762	N/A
Water Consumption (Tonnes)	1,925,418	2,479,022	2,222,289
(i) Water Intensity of EMM (m ³ per tonne)	1.45	1.50	2.87
(ii) Water Intensity of EMD (m ³ per tonne)	2.86	2.61	N/A
(iii) Water Intensity of silico-manganese alloy (m ³ per tonne)	2.09	0.72	N/A

As compared with the corresponding period of 2020, during the six months ended 30 June 2021, the decrease in our electricity and water consumption for our EMM was mainly due to our continuous efforts in cost reduction during the period.

Reduction of Waste Production

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

(1) Greenhouse Gas Emissions

The greenhouse gas (mainly including carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride) emissions are mainly caused during the silico-manganese alloy production by Qinzhou Ferroalloy Plant. Beyond that, the greenhouse gas emissions by our other segment of business is relatively not significant and therefore we have not taken into account. We improved the production technology, reduced energy consumption and continuously and regularly detected greenhouse gas emissions, so as to reduce the total amount of greenhouse gas emissions and its impact on the natural environment, and meet the environmental impact assessment implementation standards. Details of our greenhouse gas emissions are set out as follows:

	Six months ended 30 June		
	2021	2020	2019
Greenhouse Gas Emission (Tonnes)	23	25	16

(2) Waste Water

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



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

Reduction of Waste Production (continued)

(3) Waste Slag

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

	Six months ended 30 June		
	2021	2020	2019
Waste Slags Volumes (Tonnes)	1,293,848	1,037,855	632,106

The increase in waste slag during the six months ended 30 June 2021 was mainly due to the increase in our production of the EMD during the period.

(4) Non-hazardous Wastes-Tailings

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

	Six months ended 30 June		
	2021	2020	2019
Tailings Production (Tonnes)	435,798	540,285	439,078

The decrease in tailings production during the six months ended 30 June 2021 was mainly due to decrease in our overall mining activities during the period.

(5) Packaging Materials used for our finished products

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

	Six months ended 30 June		
	2021	2020	2019
Packaging bags	509,612	941,707	699,608

The decrease in our packaging bags consumption during the six months ended 30 June 2021 was mainly due to our usage of larger packing bags according to the requirements of the customers, resulting in decrease in usage of packaging bags.

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

Environmental Regulation: Compliance and Beyond

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

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



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

Environmental Regulation: Compliance and Beyond (continued)

Notwithstanding that, during the six months ended 30 June 2021, we continued our investment in environmental protection measures in compliance with the relevant rules and regulations. We have not breached any environmental rules or regulations which resulted in material fines or prosecutions. We believe that rule compliance is only the minimum standard – we treat it as the floor to our environmental performance. We are committed to the responsible management of both the short and long-term impacts of our business on the environment. This commitment goes beyond compliance and applies to all stages of our business – from planning, building, operation, maintenance to the decommissioning of our facilities and equipment.

Energy Savings and Reduction: Continuous Research and Implementation

By strengthening our management method, improving our production facilities and streamlining our production process, we continued our research upon and implement various energy savings and reduction measures. During the six months ended 30 June 2021, we have implemented the following measures:

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



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

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

(2) Our downstream business: (continued)

(iii) Silico-manganese alloy business:

- (a) We studied the government's policies on electricity and mastered the rules of electricity trading in order to minimize the cost of electricity; and
- (b) We continued to reform and innovate, optimize the current production process, and actively explore new process technologies to reduce electricity consumption.

3. Quality Operation System Establishment, Employment Training and Growth

(1) Quality Operation System Establishment

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

(i) Supply Chain Management

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

During the six months ended 31 June 2021, details of the number of our suppliers are set out as follows:

Number of our suppliers	Six months ended 30 June		
	2021	2020	2019
Hong Kong	1	1	1
Mainland China	361	280	371
Gabon	5	5	5
Total	367	286	377

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

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

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



Environmental, Social and Governance Report

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

(1) Quality Operation System Establishment (continued)

(ii) Product Quality Supervision

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

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

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

As a result of our continuous stringent control in respect of the quality of our products, the complaints and/or recalls we received in respect of our products continued to remain at a low level. During the six months ended 30 June 2021, the complaints and/or recalls we received in respect of our products are as follows:

	Six months ended 30 June		
	2021	2020	2019
Number of products related complaints and/or recalls received	0	0	4

(iii) Probity Operating System Establishment

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

During the six months ended 30 June 2021, we have not received any complaints or any legal cases regarding corruption, details are as follows:

	Six months ended 30 June		
	2021	2020	2019
Number of Complaints and/or Legal Cases regarding Corrupt Practices	0	0	0



Environmental, Social and Governance Report

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

(1) Quality Operation System Establishment (continued)

(iv) Our Code of Conduct and Personal Privacy Protection

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

We monitor and periodically document any complaints related to breaches of customer privacy and loss of customer data. No customer privacy and data loss cases have been reported or noted during the six months ended 30 June 2021.

(2) Employment Training and Growth

We arranged trainings at all levels of our employees through multi-channels, multi-formats and multi-levels. The key statistics in respect of our training for our employees are set out in the Human Resources Report. In summary, various different training courses were held during the six months ended 30 June 2021, effectively improving the quality of staff, and promoting development of our employees.

During the six months ended 30 June 2021, our major training activities and projects are as follows:

- (i) Drill of emergency and rescue plan for production safety accidents;
- (ii) Knowledge training on "Mine Safety Management and Fire Safety Management";
- (iii) Seminar on "New Developments in Mine Safety Management and Advanced Applicable New Technologies";
- (iv) Knowledge training on "Implementing the main responsibility of enterprise safety production in accordance with laws and regulations";
- (v) Knowledge training on "Emergency Management of Environmental Incidents";
- (vi) "Human and Nature Harmonious Coexistence" environmental protection knowledge training;
- (vii) 2021 "Safety Production Month" and safety production, environmental protection management knowledge training; and
- (viii) "Reduce, Harmless, and Recycle" seminar on comprehensive utilization of Manganese slag.



Environmental, Social and Governance Report

4. Social Contribution, Living Environment and Culture Development

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

- (1) In China, we treasured our social contribution in particular the surrounding community of our mines and the improvement of the living environment of our employees as well as the cultural development, including the followings:
 - (i) We continued to carry out various charitable activities and offer series of poverty alleviation works through employment, education, training, etc. and to the villages or associations surrounding our mines and production plants, including:
 - (a) We actively donate materials to the local government to support the development of local new rural areas, transportation, education, culture, and sports;
 - (b) Our subsidiaries organized our employees to actively visit nursing centres and orphanages and carry out various charity poverty alleviation activities; and
 - (c) We set up a “Youth Volunteer Service Post” to repair electrical appliances for employees and the surrounding people for free.
 - (ii) We continued to offer our help and assistance to our employees particularly those in need, including the followings:
 - (a) We have established a file of employees with difficulties and carried out “one-on-one” precision poverty alleviation, that is, each company’s management personnel corresponded to a poor employee of the company, and visited it regularly to help;
 - (b) We carried out the “Send Cools” event of caring for employees by distributing cool drinks and delivering heatstroke prevention and cooling materials to the front -line employees;
 - (c) We launched the “Union Enters Ten Thousands of Homes” event to visit and condolences to the employees who have won model workers, craftsmen and labour medals in recent years; and
 - (d) We provided cooking oil, rice and other welfare materials as well as red banners to our employees during Chinese New Year festival and we offered our condolence to the patients, employees in need and elderly.
 - (e) Since the outbreak of COVID-19, we have continued to actively implement various epidemic prevention measures and provide anti-epidemic materials for all employees.
 - (iii) We continued to host or organise various cultural or sports activities to our employees or the surrounding villagers, including the followings:
 - (a) We organized and carried out a new year’s garden tour activity on the eve of the Spring Festival;
 - (b) We held a theme event of “Praise the Party, Show Demeanor, Show Power” on Women’s Day; and
 - (c) We organized young employees to carry out series theme events of “Learning Party’s History under the Monument” on May 4th.



Environmental, Social and Governance Report

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

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

We treasure serving our community and therefore, we spent money into the community where our businesses are situated. During the six months ended 30 June 2021, our cash donations to charities reached HK\$384,481. Details are as follows:

	Six months ended 30 June		
	2021	2020	2019
Donation (HKD)	384,481	513,000	523,355

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



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Below is the information on our mineral resources and ore reserves as of 30 June 2021:

Summary of our manganese mineral resources

Mining Block	Ownership Percentage	JORC Resource Category	Average Manganese		Million Tonnes	Average Manganese Grade (%)
			Million Tonnes	Grade (%)		
			As of 30.6.2021		As of 31.12.2020	
Daxin Mine	100%	Measured	3.35	26.03	3.35	26.03
		Indicated	57.03	21.93	57.70	21.85
		Subtotal	60.38	22.16	61.05	22.08
		Inferred	0.43	21.23	0.43	21.23
		Total	60.81	22.15	61.48	22.08
Tiandeng Mine	100%	Measured	0.55	18.26	0.55	18.26
		Indicated	2.69	16.85	2.69	16.85
		Subtotal	3.24	17.09	3.24	17.09
		Inferred	3.46	14.28	3.49	14.28
Total	6.70	15.64	6.73	15.63		
Waifu Manganese Mine	100%	Measured	–	–	–	–
		Indicated	–	–	–	–
		Subtotal	–	–	–	–
Inferred	1.54	17.52	1.54	17.52		
Total	1.54	17.52	1.54	17.52		
Changgou Manganese Mine	64%	Measured	3.39	20.45	3.57	20.45
		Indicated	15.02	20.32	15.02	20.32
		Subtotal	18.41	20.34	18.59	20.34
		Inferred	3.24	20.50	3.24	20.50
Total	21.65	20.37	21.83	20.37		
Bembélé Manganese Mine	51%	Measured	–	–	–	–
		Indicated	9.70	33.18	10.59	32.88
		Subtotal	9.70	33.18	10.59	32.88
		Inferred	12.37	32.74	12.37	32.74
Total	22.07	32.93	22.96	32.80		
Total			112.77		114.54	



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Summary of our manganese ore reserves

Mine	Ownership Percentage	JORC Resource Category	Average Manganese		Million tonnes	Average Manganese Grade (%)
			Million tonnes	Grade (%)		
			As of 30.6.2021		As of 31.12.2020	
Daxin Mine	100%	Proved	3.13	20.75	3.13	20.75
			54.50	19.20	55.17	19.16
		Total	57.63	19.29	58.30	19.24
Tiandeng Mine	100%	Proved	0.51	15.78	0.51	15.78
			2.57	15.68	2.57	15.68
		Total	3.08	15.70	3.08	15.70
Waifu Manganese Mine	100%	Proved	-	-	-	-
			-	-	-	-
		Total	-	-	-	-
Changgou Manganese Mine	64%	Proved	3.39	20.45	3.57	20.45
			15.02	20.32	15.02	20.32
		Total	18.41	20.34	18.59	20.34
Bembélé Manganese Mine	51%	Proved	-	-	-	-
			9.69	30.95	10.58	31.14
		Total	9.69	30.95	10.58	31.14
Total			88.81		90.55	

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

Assumptions:

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

- (1) (a) The manganese resources and manganese ore reserves for Daxin Mine, Tiandeng Mine and Bembélé Manganese Mine were based on the estimates per the independent technical review report as shown in the Company's Prospectus. The decreases of the amounts of manganese resources and manganese ore reserves during the period were largely due to mining activity. The period end amounts have been confirmed by internal experts.
 - (b) The manganese resources and manganese ore reserves for Changgou Manganese Mine are based on the estimate in accordance with 《錳礦礦產資源儲量核實報告》(Manganese Resources Verification Report) dated November 2009 prepared by 中國冶金地質總局中南局南寧地質調查所 (ChinaYe Jin Di Zhi Zong Ju Zhong Nan Ju Nanning Di Zhi Diao Cha Suo). The decreases of the amounts of manganese resources and manganese ore reserves during the period were largely due to mining activity. The period end amounts have been confirmed by our internal experts.
 - (c) The manganese resources and manganese ore reserves for Waifu Manganese Mine are based on the estimate in accordance with 《靖西縣湖潤外伏錳礦礦產資源量核實地質報告評審意見書》(Accreditation Opinion of the Verified Geographical Resources Report of Waifu Manganese Mine, Jinxi) dated 17th July 2004 prepared by 南寧儲偉資源有限責任公司 (Nanning Qu Wei Resources Limited Company). The period end amounts have been confirmed by our internal experts.
- (2) All material assumptions and technical parameters underpinning the estimates in the aforesaid independent technical reports continue to apply and have not materially changed.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities

I) Exploration

Overview

During the six months ended 30 June 2021, there were no significant progress in respect of our exploration works and we have not conducted any exploration drilling works which are largely due to: (1) the completion of the exploration works in Daxin Mine, Tiandeng Mine and Changgou Mine; (2) Waifu Manganese Mine still has not come into formal production; and (3) the exploration works in respect of the Bembélé Manganese Mine are still under preparation.

Daxin Mine

During the six months ended 30 June 2021, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Daxin Mine.

Tiandeng Mine

During the six months ended 30 June 2021, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Tiandeng Mine.

Waifu Manganese Mine

During the six months ended 30 June 2021, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Waifu Manganese Mine.

Changgou Manganese Mine

During the six months ended 30 June 2021, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Changgou Manganese Mine.

Bembélé Manganese Mine

During the six months ended 30 June 2021, we have entered into an exploration agreement with our subcontractor for the geological exploration works within 200,000 square kilometers areas of the mining license of Bembélé Manganese Mine with the view of accelerating the grade of our manganese ores as well as the manganese resources and reserves.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Bembélé Manganese Mine.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

II) Development

Daxin Mine

During the six months ended 30 June 2021, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Daxin Mine.

Tiandeng Mine

During the six months ended 30 June 2021, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Tiandeng Mine.

Waifu Manganese Mine

During the six months ended 30 June 2021, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Waifu Manganese Mine.

Changgou Manganese Mine

During the six months ended 30 June 2021, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Changgou Manganese Mine.

Bembélé Manganese Mine

During the six months ended 30 June 2021, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Bembélé Manganese Mine.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

III) Mining activities

(1) Mining Operations

Daxin Mine

	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Open pit mining		
Mine production (thousand tonnes)	68	89
Underground mining		
Mine production (thousand tonnes)	702	839
Total mine production (thousand tonnes)	770	928
Average manganese grade		
Manganese carbonate ore	13.5%	13.3%
Manganese oxide ore	19.6%	25.2%

Tiandeng Mine

	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Open pit mining		
Mine production (thousand tonnes)	297	227
Average manganese grade		
Manganese carbonate ore	12.2%	12.7%
Manganese oxide	14.0%	14.9%

Waifu Manganese Mine

	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Underground mining		
Mine production (thousand tonnes)	–	–
Average manganese carbonate grade	–	–

Changgou Manganese Mine

	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Underground mining		
Mine production (thousand tonnes)	148	97
Average manganese carbonate grade	15.7%	16.0%

Bembélé Manganese Mine

	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Open pit mining		
Mine production (thousand tonnes)	896	845
Average manganese oxide grade	29.6%	29.6%

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



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

III) Mining activities (continued)

- (2) Ore processing operations
- Concentrating

Production (thousand tonnes)	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Daxin Concentration Plant		
Concentrate production		
Manganese carbonate ore	479	580
Manganese oxide ore	51	61
Total	530	641
Average manganese grade of concentrate		
Manganese carbonate ore	19.9%	20.0%
Manganese oxide ore	29.7%	24.9%
Tiandeng Concentration Plant		
Concentrate production		
Manganese carbonate ore	476	236
Manganese oxide ore	33	34
Total	509	270
Average manganese grade of concentration		
Manganese carbonate ore	11.5%	11.4%
Manganese oxide ore	21.1%	22.4%
Bembélé Concentration Plant		
Concentrate production	545	501
Average manganese grade of concentrate	34.1%	36.2%

- Grinding

Production (thousand tonnes)	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Daxin Grinding Plant		
Powder produced	468	555

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

IV) Downstream processing operations

- (1) EMM and alloying materials
- EMM

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

Production (thousand tonnes)	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Daxin EMM Plant	43.4	54.5
Daxin Manganese EMM Plant	8.6	12.8
Tiandeng EMM Plant	16.1	17.1
Start EMM Plant	7.4	9.8
Total	75.5	94.2



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

IV) Downstream processing operations (continued)

(1) EMM and alloying materials (continued)

- Manganese briquette

Production (thousand tonnes)	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Daxin Branch	10.6	14.3
Chongzuo Branch	3.1	3.3
Total	13.7	17.6

- Silicomanganese alloy

Production (thousand tonnes)	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Qinzhou Ferroalloy Plant	33.7	38.0
Xingyi Ferroalloy Plant	60.0	52.2
Total	93.7	90.2

(2) Battery materials

- EMD

Production (thousand tonnes)	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Daxin EMD Plant	14.6	12.0
Huiyuan Manganese	43.7	31.0
Total	58.3	43.0

- Lithium manganese oxide

Production (thousand tonnes)	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Chongzuo Branch	3.11	0.98

- Manganese sulfate

Production (thousand tonnes)	1.1.2021-30.6.2021	1.1.2020-30.6.2020
Daxin Manganese Sulfate Plant	13.9	15.3

Note: Except figures for lithium manganese oxide are rounded to nearest two decimal place, all our other downstream processing products are rounded to nearest one decimal place and these figures may show apparent addition errors.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

V) Exploration, development and mining cost of the Group

Expenses of exploration, development, and mining activities of the Group for the six months ended 30 June 2021 are set out below:

(HK\$'000)

	Daxin Mine	Tiandeng Mine	Waifu Manganese Mine	Changgou Manganese Mine	Bembélé Manganese Mine	Total
Exploration activities						
Drilling and analysis	–	–	–	–	16	16
Transportation	–	–	–	–	–	–
Others	–	–	–	–	1,389	1,389
	–	–	–	–	1,405	1,405
Development activities (including mine construction)						
Purchases of assets and equipment	–	–	–	12,240	–	12,240
Construction of mines, tunnels and roads	–	–	–	–	–	–
Staff cost	–	–	–	–	–	–
Sub-contracting fee	–	–	–	–	–	–
Others	–	–	–	–	–	–
	–	–	–	12,240	–	12,240
Mining activities*						
Staff cost	1,340	4,598	–	4,412	–	10,350
Consumables	139	5,137	–	2,951	4,149	12,376
Fuel, electricity, water and other services	1,628	3,307	–	3,217	–	8,152
Transportation	4,279	–	–	–	–	4,279
Sub-contracting fee	131,327	3,677	–	34,290	–	169,294
Depreciation	18,213	1,782	–	1,803	693	22,491
Others	3,034	4,146	–	5,212	–	12,392
	159,960	22,647	–	51,885	4,842	239,334

(*Concentrating not included)



Code on Corporate Governance Practices

Throughout the six months ended 30 June 2021, save for the deviation from the code provision A.2.1, the Company has applied the principles, complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules.

Code provision A.2.1

Chairman and Chief Executive Officer

During the six months ended 30 June 2021, the posts of Chairman and Chief Executive Officer were combined and Mr. Li Weijian, the Chairman of the Board has also assumed the role of the Chief Executive Officer. This arrangement is in contravention of code provision A.2.1 of the CG Code. Mr. Li has considerable knowledge of the Company’s assets and his experience is very highly valued by the Board. At a challenging time for the Company, the Board decided that Mr. Li was the best person to lead and oversee the implementation of the Company’s long and short term plans in accordance with its strategy which is determined by the Board. All major decisions are made in consultation with the Board members, appropriate Board committees or senior management of the Group. Mr. Li promotes a culture of openness and encourages the Directors to make a full and active contribution to the Board’s affairs. During the six months ended 30 June 2021, the independent non-executive Directors of the Company offered strong and independent advice. All decisions have reflected the consensus of the Board. The Board is keeping this situation under review and will separate the role of Chairman and Chief Executive Officer when it is in the Company’s best interests to do so.

Model Code for Securities Transactions by Directors

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

All Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the six months ended 30 June 2021.

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

As at 30 June 2021, so far as is known to any Directors, none of the Directors or chief executives of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Share Option Scheme

During the six months ended 30 June 2021, the Company operated a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Details of the Company’s share options are set out as follows:

Name and category of participant	Number of share options						Date of grant	Exercise period ^(Note)	Exercise price per share HK\$
	At 1 January 2021	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2021			
Director of the Company									
Mr. Li Weijian	15,000,000	-	-	-	(15,000,000)	-	11.1.2011	11.1.2012 to 10.1.2021	2.81
	15,000,000	-	-	-	(15,000,000)	-			
Non-directors									
	19,500,000	-	-	-	(19,500,000)	-	11.1.2011	11.1.2012 to 10.1.2021	2.81
	34,500,000	-	-	-	(34,500,000)	-			



Note:

The vesting period of the share options is from the date of grant until the respective dates of commencement of the exercise periods. The exercise period is divided into three tranches, i.e. 25% after 10 January 2012, an additional 25% after 10 January 2013 and the remaining 50% after 10 January 2014. All the share options lapsed with effect from 10 January 2021.

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

As at 30 June 2021, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held (a)	Approximate percentage the Company's issued share capital	Number of share options held
Sun Mingwen	(b)	Through a controlled corporation	994,260,000 (L)	29.00	–
Youfu Investment Co., Ltd	(b)	Directly beneficially interested	994,260,000 (L)	29.00	–
Guangxi Dameng Manganese Industrial Co., Ltd	(c)	Through a controlled corporation	776,250,000 (L)	22.64	–
Huanan Dameng Investments Limited	(c)	Through a controlled corporation	776,250,000 (L)	22.64	–
Guinan Dameng International Resources Limited	(c)	Directly beneficially interested	776,250,000 (L)	22.64	–
CITIC Group Corporation	(d)	Through a controlled corporation	311,026,000 (L)	9.07	–
CITIC Limited	(d)	Through a controlled corporation	311,026,000 (L)	9.07	–
CITIC Corporation Limited	(d)	Through a controlled corporation	311,026,000 (L)	9.07	–
Metal and Mining Link Limited	(d)	Through a controlled corporation	311,026,000 (L)	9.07	–
CITIC Metal Group Limited	(d)	Through a controlled corporation	311,026,000 (L)	9.07	–
Apexhill Investments Limited	(d)	Directly beneficially interested	311,026,000 (L)	9.07	–
HHLR Fund, L.P.	(e)	Through a controlled corporation	225,794,000 (L)	6.59	–
HHLR Advisors, Ltd.	(e)	Directly beneficially interested	225,794,000 (L)	6.59	–
Ma Xuedong	(f)	Through a controlled corporation	184,740,000 (L)	5.39	–
Feng Xiang Investment Co., Ltd.	(f)	Directly beneficially interested	184,740,000 (L)	5.39	–

Notes:

- (a) The letter "L" denotes the long position in such Shares.
- (b) Youfu Investment Co., Ltd. is wholly owned by Sun Mingwen.
- (c) Guinan Dameng International Resources Limited is wholly owned by Huanan Dameng Investments Limited ("**Huanan Dameng**"), which is in turn wholly owned by Guangxi Dameng.
- (d) Apexhill Investments Limited ("**Apexhill**") is wholly owned by CITIC Metal Group Limited ("**CITIC Metal**"), which is in turn wholly owned by Metal and Mining Link Limited ("**MML**"). MML is wholly owned by CITIC Corporation Limited ("**CITIC Corporation**"). CITIC Corporation is wholly owned by CITIC Limited (Stock Code: 0267.HK), which is owned as to 25.60% by CITIC Glory Limited and as to 32.53% by CITIC Polaris Limited. CITIC Glory Limited and CITIC Polaris Limited are wholly owned by CITIC Group Corporation. CITIC Group Corporation is a company established in the PRC.
- (e) HHLR Advisors, Ltd. is wholly owned by HHLR Fund, L.P. HHLR Fund, L.P. is a company incorporated under the laws of Cayman Islands.
- (f) Feng Xiang Investment Co., Ltd is wholly owned by Ma Xuedong.



Save as disclosed above, as at 30 June 2021, the Company has not been notified by any persons (other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests in shares and underlying shares" above), who had interests or short positions in the shares or underlying shares of the Company which would fall to be discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of The Company

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2021.

Change of Directors

Pursuant to Rule 13.51B of the Listing Rules, the change of information of Directors of the Company are set out below:

Date	Details
31 July 2021	Mr. Lin Zhijun resigned as the independent non executive director and ceased to be the chairman of the Audit Committee, Remuneration Committee and Nomination Committee.
31 July 2021	Mr. Lau Wan Ki was appointed as the independent non-executive director of the Company.
2 August 2021	Mr. Lau Wan Ki was appointed as the chairman of the Audit Committee, a member of Remuneration Committee and Nomination Committee.

Review of Accounts

The audit committee has reviewed, with no disagreement, the unaudited interim results for the six months ended 30 June 2021 with the management of the Company.

Forward Looking Statements

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

On behalf of the Board

Li Weijian
Chairman

Hong Kong, 20 August 2021



Glossary of Terms

Bembélé Concentration Plant	the concentration plant associated with Bembélé Manganese Mine
Bembélé Manganese Mine	a manganese mine located in Bembélé, Moyen-Ogooue Province, Gabon, the exploration rights and mining rights of which are owned by La 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	南方錳業集團遵義有限公司長溝錳礦 (South Manganese Group Zunyi Company Limited Changgou Manganese Mine)
China or PRC	the People's Republic of China, but for the purpose of this interim report, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
Chongzuo Branch	南方錳業集團有限責任公司崇左分公司 (South Manganese Group Limited Chongzuo Branch)
CITIC Group	中國中信集團有限公司 (CITIC Group Corporation), a company incorporated under the laws of the PRC on 4 October 1979, and, except where the context may otherwise require, all of its subsidiaries
Company or our Company	South Manganese Investment Limited, which is listed on the Stock Exchange (Stock Code: 1091.HK)
Controlling Shareholder	has the meaning ascribed to it in the Listing Rules
Daxin Manganese	大新大錳錳業有限公司 (Daxin Dameng Manganese Limited Company)
Daxin Mine	南方錳業集團有限責任公司大新錳礦 (South Manganese Group Limited Daxin Manganese Mine)
Director(s)	the director(s) of our Company
Dushan Jinmeng	獨山金孟錳業有限公司 (Dushan Jinmeng Manganese Limited Company)
EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
EMM Products	EMM and manganese briquette
Gabon	the Gabonese Republic
GMG	Greenway Mining Group Limited (信盛礦業集團有限公司), a company incorporated in Cayman Islands with limited liability and listed on the Stock Exchange (Stock Code: 2133)
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC
Guangxi Dameng	廣西大錳錳業集團有限公司 (Guangxi Dameng Manganese Industrial Group Co., Ltd.), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi, 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



Glossary of Terms

Hui Xing Company	南方錳業集團遵義有限公司 (South Manganese Group Zunyi Company Limited)
Huiyuan Manganese	廣西滙元錳業有限公司 (Guangxi Huiyuan Manganese Industry Co., Ltd.)
Huiyuan Manganese Plant	an EMD manufacturing plant in Laibin, Guangxi owned by Huiyuan Manganese
JORC	the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy
JORC Code	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
Listing	the listing of the Shares on the Main Board of the Stock Exchange
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
Ningbo Dameng	寧波大錳投資管理合夥企業(有限合夥) (Ningbo Dameng Management Partnership (Limited Partnership))
Ningbo Dameng Group	Ningbo Dameng together with its subsidiary Huiyuan Manganese
Prospectus	the prospectus of the Company dated 8 November 2010
Qinzhou Ferroalloy Plant	the ferroalloy production plant located near Qinzhou port and owned and operated by Qinzhou Dameng New Materials
Qinzhou Dameng New Materials	欽州大錳新材料有限公司 (Qinzhou Dameng New Materials Co., Ltd.), a company in which we indirectly hold 70% equity interest
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) Ordinance or SFO
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), an indirect wholly owned subsidiary of the Company
Stock Exchange	the Stock Exchange of Hong Kong Limited
substantial shareholder	has the meaning ascribed to it under the Listing Rules
Tiandeng Mine	南方錳業集團有限責任公司天等錳礦 (South Manganese Group Limited Tiandeng Manganese Mine)
tonne	metric tonne
Waifu Manganese Mine	大新大錳錳業有限公司外伏錳礦 (Daxin Dameng Manganese Limited Company Waifu Manganese Mine)
XAF	Central African CFA franc
Xingyi Ferroalloy Plant	ferroalloy production plants located in Xingyi, Guizhou, leased and operated by a wholly owned subsidiary of the Group

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.



