



南方錳業投資有限公司

SOUTH MANGANESE INVESTMENT LIMITED

(incorporated in Bermuda with limited liability)

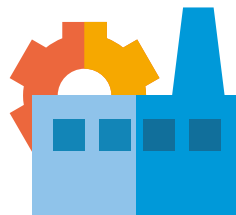
Stock Code: 1091



2022



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Interim Report **2022**

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Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Mr. Zhang Yupeng
Mr. Yuan Mingliang
Mr. Lau Wan Ki

Audit Committee

Mr. Lau Wan Ki (Chairman)
Mr. Zhang Yupeng
Ms. Cui Ling
Mr. Yuan Mingliang

Remuneration Committee

Mr. Yuan Mingliang (Chairman)
Mr. Li Weijian
Mr. Zhang He
Mr. Zhang Yupeng
Mr. Lau Wan Ki

Nomination Committee

Mr. Zhang Yupeng (Chairman)
Mr. Li Weijian
Mr. Zhang He
Mr. Yuan Mingliang
Mr. Lau Wan Ki

Company Secretary

Mr. Leung Chit Yu

Registered Office

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

Headquarters and Principal Place of Business in Hong Kong

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

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

Principal Place of Business in the PRC

South Manganese 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. Leung Chit Yu

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 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
REVENUE	4	9,008,594	4,228,335
Cost of sales		(7,874,097)	(3,514,341)
Gross profits		1,134,497	713,994
Other income and gains	4	102,353	74,357
Selling and distribution expenses		(73,676)	(59,822)
Administrative expenses		(402,166)	(251,436)
Impairment losses on property, plant and equipment and mining rights	6	(126,297)	(45,557)
Reversals of impairment losses/(impairment losses) on financial assets, net	6	2,651	(129,416)
Impairment loss on an investment in an associate	6	–	(15,325)
Finance costs	5	(97,830)	(98,867)
Other expenses		(5,392)	(10,564)
Share of profits and losses of associates		346	(103,082)
PROFITS BEFORE TAX	6	534,486	74,282
Income tax expenses	7	(109,507)	(50,166)
PROFITS FOR THE PERIOD		424,979	24,116
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		131	330
– Exchange differences on translation of foreign operations		(183,263)	35,795
– Cash flow hedges, net of tax		–	2,541
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		241,847	62,782
Profit/(loss) attributable to:			
Owners of the parent		453,339	22,060
Non-controlling interests		(28,360)	2,056
		424,979	24,116
Total comprehensive income /(loss) attributable to:			
Owners of the parent		265,245	59,112
Non-controlling interests		(23,398)	3,670
		241,847	62,782
Earnings per share attributable to ordinary equity holders of the parent:	8		
– Basic		HK\$0.1322	HK\$0.0064
– Diluted		HK\$0.1322	HK\$0.0064



Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,675,629	3,574,493
Investment properties		109,321	114,284
Right-of-use assets	11	581,328	662,257
Intangible assets	12	225,772	367,902
Investments in associates	13	85,655	92,608
Deferred tax assets	14	–	12,897
Prepayments and other assets	17	345,917	293,917
Total non-current assets		5,023,622	5,118,358
CURRENT ASSETS			
Inventories	15	1,498,971	1,399,096
Trade and notes receivables	16	1,109,885	1,454,714
Prepayments, other receivables and other assets	17	1,561,101	1,764,201
Due from related companies	27	35,823	1,560
Tax recoverable		482	505
Pledged deposits	18	516,975	200,547
Cash and cash equivalents	18	1,324,256	1,045,362
Total current assets		6,047,493	5,865,985
CURRENT LIABILITIES			
Trade and notes payables	19	1,389,432	1,300,221
Other payables and accruals	20	1,299,202	2,009,900
Interest-bearing bank and other borrowings	21	3,598,147	3,623,953
Due to related companies	27	3,047	1,376
Tax payable		59,885	206,723
Total current liabilities		6,349,713	7,142,173
NET CURRENT LIABILITIES		(302,220)	(1,276,188)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,721,402	3,842,170
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	21	1,066,905	489,942
Deferred tax liabilities	14	153,748	140,669
Other long-term liabilities		111,605	112,456
Deferred income	23	71,935	54,527
Total non-current liabilities		1,404,193	797,594
Net assets		3,317,209	3,044,576



Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	24	342,846	342,846
Reserves	25	3,029,764	2,764,519
		3,372,610	3,107,365
Non-controlling interests			
		(55,401)	(62,789)
Total equity		3,317,209	3,044,576

Li Weijian
Director

Zhang He
Director



Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2022

	Attributable to owners of the parent										
	Issued share HK\$'000	Contributed surplus 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	Retained earnings/(Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 31 December 2021 and 1 January 2022 (audited)	342,846	2,461,249	(3,023)	206,893	229,781	312	2,051	(132,744)	3,107,365	(62,789)	3,044,576
Profit/(loss) for the period	-	-	-	-	-	-	-	453,339	453,339	(28,360)	424,979
Other comprehensive income/(loss) for the period:											
- Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	131	-	-	-	-	-	131	-	131
- Exchange difference on translation of foreign operations	-	-	-	-	(188,225)	-	-	-	(188,225)	4,962	(183,263)
Total comprehensive income/(loss) for the period	-	-	131	-	(188,225)	-	-	453,339	265,245	(23,398)	241,847
Provision of special reserve (note 25(a))	-	-	-	16,969	-	-	-	(16,969)	-	-	-
Utilisation of special reserve (note 25(a))	-	-	-	(13,558)	-	-	-	13,558	-	-	-
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	32,578	32,578
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,792)	(1,792)
At 30 June 2022 (unaudited)	342,846	2,461,249*	(2,892)*	210,304*	41,556*	312*	2,051*	317,184*	3,372,610	(55,401)	3,317,209

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2022

	Attributable to owners of the parent												Non-controlling interests	Total equity
	Issued capital	Contributed surplus	Hedging reserve	Share option reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Reserve funds	Exchange fluctuation reserve	Capital redemption reserve	Investment related reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 differences on translation of foreign operations	-	-	-	-	-	-	34,181	-	-	-	34,181	1,614	35,795	
- Cash flow hedges, 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 for special reserve (note 25(a))	-	-	-	-	-	18,941	-	-	-	(18,941)	-	-	-	
Utilisation of special reserve (note 25(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	

* These reserve accounts comprise the consolidated reserves of HK\$3,029,764,000 in the interim condensed consolidated statement of financial position (31 December 2021: HK\$2,764,519,000).



Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash flows generated from operating activities		389,866	464,076
Net cash flows used in investing activities		(436,339)	(362,187)
Net cash flows generated from/(used in) financing activities		377,606	(435,493)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		331,133	(333,604)
Cash and cash equivalents at beginning of period		1,045,362	1,129,543
Effect of exchange rate changes, net		(52,239)	7,602
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,324,256	803,541
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	1,841,231	835,206
Less: Pledged deposits	18	(516,975)	(31,665)
Cash and cash equivalents at end of period		1,324,256	803,541

Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

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\$302.2 million as at 30 June 2022. Subsequent to the end of the reporting period, the Group has successfully obtained new short-term bank loans of HK\$360.9 million during the period from 1 July 2022 up to the date of this report. 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 2021, 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 3
Amendment to HKFRS 16
Amendments to HKAS 16
Amendments to HKAS 37
*Annual Improvements to HKFRSs
2018-2020*

*Reference to the Conceptual Framework
Covid-19-Related Rent Concessions beyond 30 June 2021
Property, Plant and Equipment: Proceeds before Intended Use
Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying
HKFRS 16, and HKAS 41*



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

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 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
 - HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

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

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

The EMM and alloying materials production segment comprises mining and processing ores used in hydrometallurgical processing for/and production of Electrolytic Manganese Metal ("**EMM**") and manganese briquette, and pyrometallurgical processing for production of silicomanganese 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 profits before tax. The adjusted profits before tax is measured consistently with the Group's profits before tax except that interest income, non-lease-related finance costs, production halt expenses as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude interest-bearing bank and other borrowings, 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 2022

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 2022 (Unaudited)						
Segment revenue:						
Sales to external customers	36,458	603,103	2,263,223	1,054,924	5,050,886	9,008,594
Intersegment sales	–	87,292	–	–	–	87,292
Other income and gains from operations	502	1,693	52,188	9,649	33,327	97,359
	36,960	692,088	2,315,411	1,064,573	5,084,213	9,193,245
Reconciliation:						
Elimination of inter segment sales						(87,292)
Revenue, other income and gains from operations						9,105,953
Segment results	(142,507)	167,934	305,354	358,589	34,838	724,208
<i>Reconciliations:</i>						
Interest income						4,994
Corporate and other unallocated expenses						(98,417)
Finance costs (other than interest on lease liabilities)						(96,299)
Profit before tax						534,486
Income tax expense						(109,507)
Profit for the period						424,979
Assets and liabilities						
Segment assets	666,587	617,578	3,371,415	2,336,530	2,128,584	9,120,694
<i>Reconciliations:</i>						
Corporate and other unallocated assets						1,950,421
Total assets						11,071,115
Segment liabilities	432,987	281,907	1,141,947	391,812	560,914	2,809,567
<i>Reconciliations:</i>						
Corporate and other unallocated liabilities						4,944,339
Total liabilities						7,753,906



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

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

4. Revenue, other income and gains

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods:		
Manganese mining	639,561	359,360
EMM and alloying materials production	2,263,223	1,958,740
Battery materials production	1,054,924	701,312
Other business	5,050,886	1,208,923
	9,008,594	4,228,335



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

4. Revenue, other income and gains (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the six months ended 30 June 2022 (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	639,561	2,263,223	1,054,924	5,050,886	9,008,594
Geographical markets					
Mainland China	439,203	1,808,227	1,037,453	5,050,886	8,335,769
Asia (excluding Mainland China)	200,358	180,709	14,535	–	395,602
Europe	–	20,852	136	–	20,988
North America	–	253,435	2,800	–	256,235
Total revenue from contracts with customers	639,561	2,263,223	1,054,924	5,050,886	9,008,594
Timing of revenue recognition					
Goods transferred at a point in time with customers	639,561	2,263,223	1,054,924	5,050,886	9,008,594

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



Notes to Interim Condensed Consolidated Financial Statements

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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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income	4,994	3,940
Foreign exchange gains, net	16,215	–
Gain on disposal of items of property, plant and equipment	12,335	–
Subsidy income	18,625	27,699
Net subcontracting income	–	3,199
Sale of scraps and other materials	26,783	19,729
Rental income	9,737	12,824
Others	13,664	6,966
	102,353	74,357

5. Finance costs

	Note	Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Interest on loans wholly repayable within five years		83,994	88,575
Finance costs for discounted notes receivable		12,196	5,981
Interest expenses on lease liabilities	22	1,531	332
Other finance costs		109	3,979
		97,830	98,867



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6. Profits before tax

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

	Notes	Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Cost of inventories sold [#]		7,858,544	3,514,304
Write-down of inventories to net realisable value, net [#]		15,553	37
Depreciation of property, plant and equipment	10	207,969	172,911
Depreciation of right-of-use assets	11	20,671	18,150
Amortisation of intangible assets	12	7,227	6,938
Research and development costs		35,108	37,745
Auditor's remuneration		2,489	3,455
Employee benefit expense		402,362	358,044
(Gain)/loss on disposal of items of property, plant and equipment*		(12,335)	4,733
Foreign exchange differences, net*		(16,215)	4,737
Impairment losses on property, plant and equipment and mining rights	12	126,297	45,557
(Reversals of impairment losses)/impairment losses on financial assets included in trade and notes receivables and other receivables, net		(2,651)	129,416
Impairment loss on an investment in an associate		–	15,325
Variable lease payments not included in the measurement of lease liabilities (included in cost of inventories sold)		3,099	3,139
Expenses relating to leases of low-value assets [^]		–	1,176

[#] 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.



Notes to Interim Condensed Consolidated Financial Statements

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7. Income tax expenses

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	39,367	1,212
Current – Hong Kong		
Charge for the period	2,814	–
Current – Gabon		
Charge for the period	36,050	9,657
Deferred (note 14)	31,276	39,297
Total tax charge for the period	109,507	50,166

Hong Kong profits tax

Hong Kong profits tax for the six months ended 30 June 2022 has been provided at the rate of 16.5% on the estimated assessable profits for the period. No provision for Hong Kong profits tax for six months ended 30 June 2021 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.



Notes to Interim Condensed Consolidated Financial Statements

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8. Earnings per share attributable to ordinary equity holders of the parent

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The calculation of basic and diluted earnings per share are based on:		
Profits		
Profits attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	453,339	22,060
<hr/>		
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings 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 2022 nor the six months ended 30 June 2021.

9. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: Nil).

10. Property, plant and equipment

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At 1 January 2022/1 January 2021	3,574,493	3,354,950
Additions	470,855	716,154
Depreciation (note 6)	(207,969)	(456,131)
Impairment	–	(69,572)
Disposals	(2,899)	(79,673)
Exchange realignment	(158,851)	108,765
At 30 June 2022/31 December 2021	3,675,629	3,574,493

At 30 June 2022, 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\$158,125,000 (31 December 2021: HK\$154,320,000). 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 2022.



Notes to Interim Condensed Consolidated Financial Statements

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11. Right-of-use assets

	Leasehold lands HK\$000	Motor vehicles, plant machinery, tools and equipment HK\$000	Total HK\$000
As at 1 January 2022 (Audited)	514,387	147,870	662,257
Additions	18,006	–	18,006
Depreciation (note 6)	(10,558)	(10,113)	(20,671)
Disposals	–	(51,153)	(51,153)
Exchange realignment	(13,141)	(13,970)	(27,111)
30 June 2022 (Unaudited)	508,694	72,634	581,328
As at 1 January 2021 (Audited)	528,794	147,307	676,101
Additions	8,790	30,812	39,602
Depreciation	(37,399)	(34,039)	(71,438)
Exchange realignment	14,202	3,790	17,992
As 31 December 2021 (Audited)	514,387	147,870	662,257

12. Intangible assets

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Mining rights and other intangible assets:		
At 1 January 2022/1 January 2021	367,902	478,014
Additions	3,629	64,321
Amortisation (note 6)	(7,227)	(19,404)
Impairment (note 6)	(126,297)	(166,853)
Exchange realignment	(12,235)	11,824
At 30 June 2022/31 December 2021	225,772	367,902



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

13. Investments in associates and due from associates

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Share of net assets	396,761	403,714
Less: Impairment	(311,106)	(311,106)
At 30 June 2021/31 December 2021	85,655	92,608
Amounts due from associates		
– Repayable within one year	52,713	55,106
Less: Impairment	(52,713)	(55,106)
	–	–

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 2022 (Audited)	63,478	16,609	80,087
Deferred tax charged to profit or loss during the period (note 7)	(15,433)	(2,107)	(17,540)
Exchange realignment	(2,312)	(661)	(2,973)
At 30 June 2022 (Unaudited)	45,733	13,841	59,574

Notes to Interim Condensed Consolidated Financial Statements

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14. Deferred tax assets and liabilities (continued)

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 2022 (Audited)	111,687	12,692	6,006	77,474	207,859
Deferred tax charged/(credited) to profit or loss during the period (note 7)	(29,582)	20,826	–	22,492	13,736
Exchange realignment	(4,001)	–	(261)	(4,011)	(8,273)
At 30 June 2022 (Unaudited)	78,104	33,518	5,745	95,955	213,322

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	–	12,897
Net deferred tax liabilities recognised in the consolidated statement of financial position	(153,748)	(140,669)
	(153,748)	(127,772)

15. Inventories

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Raw materials	734,286	827,224
Work in progress	22,840	25,051
Finished goods	814,130	612,453
	1,571,256	1,464,728
Less: Inventory provision	(72,285)	(65,632)
	1,498,971	1,399,096

16. Trade and notes receivables

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables	1,105,708	1,136,324
Notes receivable	272,290	623,637
	1,377,998	1,759,961
Less: Impairment provision	(268,113)	(305,247)
	1,109,885	1,454,714



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

16. Trade and notes receivables (continued)

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 2022, the net trade and notes receivables relate to a large number of diversified customers.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within one month	487,723	507,505
One to two months	152,707	237,332
Two to three months	101,315	50,496
Over three months	95,850	35,744
	837,595	831,077

Notes receivable represents bank acceptance notes issued by banks in Mainland China maturing within one year 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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within one month	112,925	203,168
One to two months	40,028	282,866
Two to three months	37,712	64,498
Over three months	81,625	73,105
	272,290	623,637



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

16. Trade and notes receivables (continued)

Transferred financial assets that are derecognised in their entirety

At 30 June 2022, 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 RMB452,138,000 (equivalent to HK\$529,861,000) (31 December 2021: RMB317,342,000 equivalent to HK\$388,776,000). The Derecognised Notes had a maturity of one to twelve 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 2022 and 30 June 2021, 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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
At 1 January 2022/1 January 2021	305,247	181,247
(Reversals of impairment losses)/impairment losses, net	(2,738)	122,662
Amount written off as uncollectible	(32,205)	(638)
Exchange realignment	(2,191)	1,976
At 30 June 2022/31 December 2021	268,113	305,247

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.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

16. Trade and notes receivables (continued)

Impairment under HKFRS 9 (continued)

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 2022

	Ageing				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	0.5%	56.3%	97.9%	100.0%	19.5%
Gross carrying amount (HK\$'000)	1,111,089	3,373	146,574	116,962	1,377,998
Expected credit losses (HK\$'000)	5,825	1,899	143,427	116,962	268,113

As at 31 December 2021

	Ageing				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	0.5%	73.8%	98.7%	100.0%	17.3%
Gross carrying amount (HK\$'000)	1,449,252	34,850	230,067	45,792	1,759,961
Expected credit losses (HK\$'000)	6,626	25,717	227,112	45,792	305,247

17. Prepayments, other receivables and other assets

Non-current portion

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Prepayments	303,885	239,910
Deposits	42,032	54,007
	345,917	293,917



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

Current portion

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Prepayments	1,380,244	1,690,704
Deposits and other receivables	338,986	231,614
	1,719,230	1,922,318
Less: Impairment provision	(158,129)	(158,117)
	1,561,101	1,764,201

18. Cash and cash equivalents and pledged deposits

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Cash and bank balances	1,841,231	1,245,909
Less: Pledged deposits for bank acceptance notes	(516,975)	(200,547)
Cash and cash equivalents as stated in the consolidated statements of financial position and cash flows	1,324,256	1,045,362

As at 30 June 2022, cash and bank balances of the Group denominated in RMB amounting to HK\$1,666,860,000 (31 December 2021: HK\$1,122,270,000) 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 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one month	653,041	786,111
One to two months	129,841	369,383
Two to three months	170,848	29,747
Over three months	435,702	114,980
	1,389,432	1,300,221

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



Notes to Interim Condensed Consolidated Financial Statements

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20. Other payables and accruals

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Contract liabilities	194,771	681,603
Other payables	750,640	890,856
Accruals	341,661	424,536
Financial guarantee contracts	12,130	12,905
	1,299,202	2,009,900

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. Interest-bearing bank and other borrowings

	30 June 2022			31 December 2021		
	Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
Current						
Lease liabilities (note 22)	5.20-7.30	2022-2023	19,526	5.20-7.30	2022	21,266
Bank loans – unsecured	2.00-9.30	2022-2023	2,870,794	0.91-5.50	2022	2,301,018
Current portion of long-term bank loans – unsecured	4.40-4.75	2022-2023	707,827	4.30-5.23	2022	1,301,669
			3,598,147			3,623,953
Non-current						
Lease liabilities (note 22)	5.20-7.30	2023-2024	14,539	5.20-7.30	2023	21,341
Bank loans – unsecured	3.70-4.50	2023-2024	759,391	4.50-5.23	2023	468,601
Bank loans – secured (note (a))	6.10	2027	292,975	–	–	–
			1,066,905			489,942
			4,665,052			4,113,895

Note:

- (a) The above secured bank loans were secured by the Group's property, plant and equipment and leasehold lands with a carrying value of HK\$153,882,000 (31 December 2021: Nil).



Notes to Interim Condensed Consolidated Financial Statements

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21. Interest-bearing bank and other borrowings (continued)

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	3,578,621	3,602,687
In the second year	642,201	468,601
In the third to fifth years, inclusive	410,165	–
	4,630,987	4,071,288
Lease liabilities:		
Within one year or on demand	19,526	21,266
In the second year	12,508	9,545
In the third to fifth years inclusive	2,031	11,796
	34,065	42,607
	4,665,052	4,113,895

At 30 June 2022, all borrowings were denominated in Renminbi. At 31 December 2021, except for bank and other borrowings of HK\$53,021,000 which was denominated in United States dollars, all borrowings were in Renminbi.

22. 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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Carrying amount at 1 January 2022/ 1 January 2021	42,607	39,515
New leases	–	48,414
Accretion of interest recognised (note 5)	1,531	1,531
Payments	(8,526)	(50,373)
Exchange realignment	(1,547)	3,520
Carrying amount at 30 June 2022/31 December 2021	34,065	42,607
Analysed into:		
Current portion	19,526	21,266
Non-current portion	14,539	21,341



Notes to Interim Condensed Consolidated Financial Statements

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23. Deferred income

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
At 1 January 2022/1 January 2021	54,527	59,198
Additions	24,132	7,760
Amortisation	(3,770)	(13,970)
Exchange realignment	(2,954)	1,539
At 30 June 2022/31 December 2021	71,935	54,527

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.

24. Share capital

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Issued and fully paid: 3,428,459,000 (31 December 2021: 3,428,459,000) ordinary shares of HK\$0.10 each	342,846	342,846

25. Reserves

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Contributed surplus	2,461,249	2,461,249
Reserve funds	210,304	206,893
Fair value reserve of financial assets at fair value through other comprehensive income	(2,892)	(3,023)
Investment related reserve	2,051	2,051
Exchange fluctuation reserve	41,556	229,781
Capital redemption reserve	312	312
Retained earnings/(Accumulated losses)	317,184	(132,744)
	3,029,764	2,764,519



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30 June 2022

25. Reserves (continued)

Note:

- (a) In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to:
- (i) appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with PRC 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
 - (ii) pursuant to the relevant regulation in the PRC, provide for the safety fund based on the volume of ore excavated and the turnover of ferroalloy in prior years.

26. 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\$9,737,000 (2021: HK\$12,824,000), details of which are included in note 4 to the financial statements.

At 30 June 2022, 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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within one year	705	3,113
After one year but within two years	–	40
	705	3,153

(b) Capital commitments of the Group

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Capital expenditure in respect of acquisition of items of property, plant and equipment	373,050	484,454



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

26. Commitments and contingencies (continued)

(c) Contingent liabilities

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

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Guarantees given to banks in connection with facilities granted to an associate	(i)	309,382	323,426
Guarantees given to Guangxi Dameng Manganese Industry Group Co., Ltd. ("Guangxi Dameng") in connection with loans provided to an investee	(ii)	11,719	12,251

- (i) As at 30 June 2022, the outstanding bank loan of an associate, in which the Group has a 33% equity interest, was secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the holding company of the associate according to the shareholding percentage on a several basis.

As at 30 June 2022, the associate's banking facilities guaranteed by the Group and the holding company of the associate amounted to RMB800,000,000 (equivalent to HK\$937,520,000) and were utilised to the extent of RMB557,900,000 (equivalent to HK\$653,803,000) (31 December 2021: RMB559,900,000, equivalent to HK\$685,933,000) by the associate.

- (ii) As at 30 June 2022, 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 2022, the loan facilities guaranteed by the Group and the holding company of the borrower amounted to RMB100,000,000 (equivalent to HK\$117,190,000) and were utilised to the extent of RMB45,000,000 (equivalent to HK\$52,736,000) (31 December 2021: RMB50,000,000, equivalent to HK\$61,255,000) by the borrower.

As at 30 June 2022 and 31 December 2021, the above contingent liabilities have been accounted for in the financial statements.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

27. 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	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Sale of finished goods to related companies	(i)	54,473	52,196
Purchase of finished goods from Guangxi Dameng	(i)	58,003	28,578
Purchase of raw materials from subsidiaries of Guangxi Dameng	(i)	–	866
Purchase of raw materials from related companies	(i)	53,583	5,852
Rental income received from a related company	(ii)	–	751
Maximum balance of bank deposits with related companies during the period	(iii)	2,265	98,270
Interest income on deposits placed with related companies	(iii)	3	12
Maximum balance of loans to an associate	(iv)	49,156	49,156

Notes:

- (i) These sales and purchases were made at prices based on the mutual agreements between the parties.
- (ii) The rental income was made at rent based on the mutual agreement between the parties.
- (iii) 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.
- (iv) A loan to an associate carried interest at 8% per annum and is repayable on demand.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

27. 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\$309,382,000 (31 December 2021: HK\$323,426,000) as at the end of the reporting period, as further detailed in note 26(c)(i) to the financial statements.

(c) Outstanding balances with related parties

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
i) Due from related companies		
Trade receivables	20,164	28,392
Prepayments and other receivables	15,659	1,560
	35,823	29,952
ii) Due to related companies		
Other payables	3,047	1,376
iii) Bank balances with related companies	325	2,306

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. The Group's prepayments and other receivables from related companies at 30 June 2022 and 31 December 2021 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 2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries, director fees, allowances and benefits in kind	4,605	7,253
Pension scheme contributions	78	61
Total compensation paid to key management personnel	4,683	7,314



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

28. 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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Notes receivable	272,290	623,637	272,290	623,637

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 2022 were assessed to be insignificant.



Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

28. 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 2022				
Assets:				
Notes receivable	-	272,290	-	272,290
31 December 2021				
Assets:				
Notes receivable	-	623,637	-	623,637

During the six months ended 30 June 2022 and 2021, 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 2022				
Interest-bearing bank and other borrowings (other than lease liabilities)	-	4,630,987	-	4,630,987
31 December 2021				
Interest-bearing bank and other borrowings (other than lease liabilities)	-	4,071,288	-	4,071,288

29. 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 19 August 2022.



Management Discussion and Analysis

Financial Review

	1H 2022 HK\$'000	1H2021 HK\$'000	Increase/(decrease)	
			HK\$'000	%
Revenue	9,008,594	4,228,335	4,780,259	113.1
Gross profits	1,134,497	713,994	420,503	58.9
Gross profit margin	12.6%	16.9%	N/A	(4.3)
Operating profits	657,786	367,662	290,124	78.9
Impairment losses on property, plant and equipment and mining rights	(126,297)	(45,557)	80,740	177.2
Reversals of impairment losses/ (impairment losses) on financial assets, net	2,651	(129,416)	(132,067)	(102.0)
Impairment loss on an investment in an associate	–	(15,325)	(15,325)	(100.0)
Share of profits and losses of associates	346	(103,082)	(103,428)	(100.3)
Profits before tax	534,486	74,282	460,204	619.5
Income tax expenses	(109,507)	(50,166)	59,341	118.3
Profits for the period	424,979	24,116	400,863	1,662.2
Profits attributable to owners of the parent	453,339	22,060	431,279	1,955.0
Profit/(loss) attributable to non-controlling interests	(28,360)	2,056	(30,416)	(1,479.4)
	424,979	24,116	400,863	1,662.2

Financial Highlights

- Revenue amounted to HK\$9,008.6 million for 1H 2022, representing an increase of 113.1% from HK\$4,228.3 million of 1H 2021.
- Gross profit amounted to HK\$1,134.5 million for 1H 2022, representing an increase of 58.9% from HK\$714.0 million of 1H 2021. Gross profit margin was 12.6% for 1H 2022, representing a decrease of 4.3 percentage points from 16.9% for 1H 2021.
- Operating profit amounted to HK\$657.8 million for 1H 2022, representing an increase of 78.9% from HK\$367.7 million for 1H 2021.
- Profit attributable to owners of the parent amounted to HK\$453.3 million for 1H 2022, representing an increase of 1,955.0% from HK\$22.1 million for 1H 2021.

Overview

In 1H 2022, the global economy was facing severe challenges. The unforeseen outbreak of Russia-Ukraine War in February 2022 led to soaring of energy markets including oil and gas prices. Furthermore, the resurgence of the coronavirus disease ("the COVID-19") resulting to lockdowns of certain areas in China since March 2022 delayed the economic recovery and to a certain extent disrupted the supply chain and logistic markets. As a result, the inflationary pressures that existed globally by the end of the year 2021 were further deteriorated in 1H 2022. In addition, the United States Federal Reserve Board increased its interest rate by three times from 0.25% to 1.75% in 1H 2022. All these factors increased the burdens of corporations worldwide and the economies were becoming more volatile around the world.



Management Discussion and Analysis

Steel sector is our major downstream industry, its demand for our EMM Products largely arising from consumptions within China. In 1H 2022, there was shrinkage of demand for steels as a result of lockdowns of certain areas in China. Also, downstream steel manufacturers sought alternative materials to replace EMM for their productions owing to the rocket-soared market price of EMM Products starting from the fourth quarter of the year 2021. Therefore, the market price of EMM Products dropped from peak in the first quarter to a more reasonable level since April 2022. The Group cautiously expects the demand of EMM Products will rebound in 2H 2022 upon the stimulation package implemented by the PRC government and the ease of lockdown measures. In addition, to address the inflationary pressures and maintain the cost competitiveness of our major products, the Group had centralized the purchase of major raw materials in 1H 2022. Despite the above challenging environment, the average selling price of our EMM Products for 1H 2022 increased by 53.4% to HK\$24,902 per tonne (1H 2021: HK\$16,233 per tonne). The gross profit ratio of EMM Products increased by 1.9 percentage points to 28.4% in 1H 2022 (1H 2021: 26.5%) and the gross profit contribution of EMM Products increased by 24.8% to HK\$429.1 million in 1H 2022 (1H 2021: HK\$343.7 million).

In 1H 2022, our production of battery materials including EMD becomes more stabilized and mature and continued to achieve encouraging results. The increase on cost of productions of EMD has been partially mitigated by our internal supply of manganese ores from our Gabon Bembélé Manganese Mine and strengthened cost control measures. Despite in 1H 2022, certain of our downstream customers faced some setbacks due to significant increase in costs of raw materials especially lithium carbonate, demand for our major product EMD remained relatively strong. In the long term, Group remains optimistic about this business segment. The Group will continue to focus on seizing market share, securing raw materials supplies, strengthening product research and development, further upgrading our EMD production plants and expanding our production to other battery material products including lithium manganese oxide and high purity manganese sulfate. The Group expects such measures would further integrate our battery materials production segment to grasp market opportunities arising from the commercialization of electric vehicles and development of battery products at unprecedented speed. Due to increasing demand in the market, the average selling price of EMD increased by 65.7% to HK\$16,405 per tonne (1H 2021: HK\$9,901 per tonne), the gross profit ratio increased by 17.8 percentage points to 50.6% (1H 2021: 32.8%) and the gross profit contribution of EMD recorded a remarkable increase of 125.0% to HK\$383.4 million (1H 2021: HK\$170.4 million).

In summary, mainly due to increase in average selling prices of EMM Products and EMD, the Group's operating profit for 1H 2022 increased by 78.9% to HK\$657.8 million (1H 2021: HK\$367.7 million).

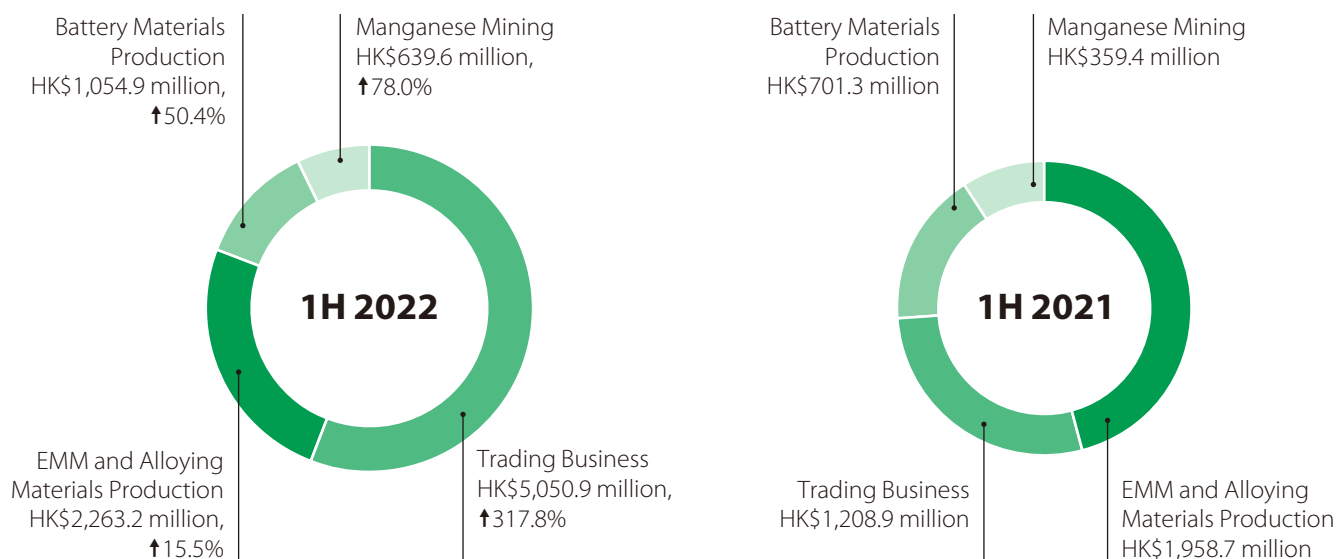
In 1H 2022, the Group recognised non-cash impairment losses on mining rights of HK\$126.3 million mainly related to further alternations to our investment and expansion plans of Changgou Manganese Mine and Waifu Manganese Mine.

As a result, the earnings before interest, taxes, depreciation and amortisation ("EBITDA") for 1H 2022 increased by 135.1% to HK\$863.2 million (1H 2021: HK\$367.2 million) and the profit attributable to owners of the parent of the Group in 1H 2022 was HK\$453.3 million (1H 2021: HK\$22.1 million).

Management Discussion and Analysis

Comparison with six months ended 30 June 2021

Revenue by segment



In 1H 2022, the Group's revenue was HK\$9,008.6 million (1H 2021: HK\$4,228.3 million), representing an increase of 113.1% as compared with 1H 2021. The increase was mainly due to (a) increase in average selling prices of EMM Products and EMD; (b) increase in sales volume of Gabon ore; and (c) substantial increase in sales revenue from trading business.

In 1H 2022, revenue of our major products EMM Products accounted for 16.8% (1H 2021: 30.6%) of our total revenue; and revenue of our battery materials production segment exceeded HK\$1.0 billion for the first time.



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 2022							
Gabon ore	628,652	959	603,103	649	408,272	194,831	32.3
Manganese concentrate	66,945	446	29,884	400	26,793	3,091	10.3
Natural discharging manganese powder and sand	1,965	3,346	6,574	511	1,004	5,570	84.7
Total	697,562	917	639,561	625	436,069	203,492	31.8
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

In 1H 2022, revenue of manganese mining segment increased by 78.0% to HK\$639.6 million (1H 2021: HK\$359.4 million) mainly due to increase in sales volume of Gabon ore as the Group has ramped up the mining operations of Bembélé Manganese Mine. The gross profit of manganese mining segment increased by 190.3% to HK\$203.5 million (1H 2021: HK\$70.1 million) mainly due to increase in sales revenue of Gabon ore.

In 1H 2022, the manganese mining segment recorded a profit of HK\$25.4 million (1H 2021: HK\$62.5 million), a decrease of 59.3%, mainly attributable to the impairment losses on mining rights of HK\$126.3 million (1H 2021: Nil) recognised in 1H 2022.

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 2022							
EMM	52,614	23,614	1,242,401	17,604	926,196	316,205	25.5
Manganese briquette	8,056	33,316	268,396	19,305	155,520	112,876	42.1
	60,670	24,902	1,510,797	17,830	1,081,716	429,081	28.4
Silicomanganese alloy	79,247	9,307	737,563	8,843	700,816	36,747	5.0
Others	397	37,438	14,863	34,718	13,783	1,080	7.3
Total	140,314	16,130	2,263,223	12,802	1,796,315	466,908	20.6
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

Revenue of EMM and alloying materials production segment increased by 15.5% to HK\$2,263.2 million in 1H 2022 (1H 2021: HK\$1,958.7 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 53.4% to HK\$24,902 per tonne (1H 2021: HK\$16,233 per tonne). The above impact was partially offset by the decrease of sales volume of EMM Products by 24.0% to 60,670 tonnes (1H 2021: 79,814 tonnes).
- The revenue of silicomanganese alloy increased by 12.5% to HK\$737.6 million in 1H 2022 (1H 2021: HK\$655.5 million) mainly attributable to the increase in average selling price of silicomanganese alloy by 22.7% to HK\$9,307 per tonne in 1H 2022 (1H 2021: HK\$7,586 per tonne).

As a result of increase in average selling prices of EMM Products, the gross profit contribution of EMM and alloying materials production segment increased by 14.7% to HK\$466.9 million (1H 2021: HK\$407.1 million) and this segment recorded a profit of HK\$305.4 million (1H 2021: HK\$173.1 million), an increase of 76.4%.



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 2022							
EMD	46,202	16,405	757,948	8,106	374,535	383,413	50.6
Manganese sulfate	6,958	4,665	32,458	4,320	30,062	2,396	7.4
Lithium manganese oxide	2,967	88,925	263,839	79,953	237,221	26,618	10.1
NCM	3	226,333	679	152,333	457	222	32.7
Total	56,130	18,794	1,054,924	11,443	642,275	412,649	39.1
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

Revenue of battery materials production segment increased by 50.4% to HK\$1,054.9 million (1H 2021: HK\$701.3 million) and gross profit of this segment increased by 109.6% to HK\$412.6 million (1H 2021: HK\$196.9 million) mainly attributable to the followings:

- EMD continued to be our major battery material product and the average selling price of EMD increased by 65.7% to HK\$16,405 per tonne (1H 2021: HK\$9,901 per tonne). The above impact was partially offset by the decrease of sales volume of EMD by 12.0% to 46,202 tonnes (1H 2021: 52,487 tonnes).
- In 1H 2022, the average selling price of lithium manganese oxide increased by 160.1% to HK\$88,925 per tonne (1H 2021: HK\$34,193 per tonne) in line with significant surge in unit cost brought by skyrocketed price of lithium carbonate.

As a result, the results of battery materials production segment recorded a profit of HK\$358.6 million (1H 2021: HK\$119.0 million), an increase of 201.2%.

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 2022				
Trading	5,050,886	4,999,438	51,448	1.0
Six months ended 30 June 2021				
Trading	1,208,923	1,168,958	39,965	3.3

Revenue of other business segment increased to HK\$5,050.9 million (1H 2021: HK\$1,208.9 million) mainly because the Group cautiously expanded its trading business of manganese ore and non-manganese metals to build up the supply chain operations in Guangxi, Shanghai and Hong Kong.

Cost of Sales

Total cost of sales increased by 124.1% to HK\$7,874.1 million in 1H 2022 (1H 2021: HK\$3,514.3 million) in line with the increase of the revenue and also the cost of sales from trading business.

Gross Profit

In 1H 2022, the Group recorded a gross profit of HK\$1,134.5 million (1H 2021: HK\$714.0 million), which represented an increase of HK\$420.5 million from 1H 2021, or 58.9%. The Group's overall gross profit margin was 12.6%, representing decrease of 4.3 percentage points from 16.9% in 1H 2021. Overall gross profit margin decrease mainly attributable to increase in proportion of trading business with lower gross profit margin.

Other Income and Gains

Other income and gains increased by 37.7% to HK\$102.4 million (1H 2021: HK\$74.4 million) mainly due to (a) foreign exchange gains from certain loans denominated in RMB owing to depreciation of RMB against Hong Kong dollars in 1H 2022; and (b) gains on disposals of certain equipment.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 1H 2022 increased by 23.2% to HK\$73.7 million (1H 2021: HK\$59.8 million) mainly attributable to increase in transportation costs.

Administrative Expenses

Administrative expenses increased by 59.9% to HK\$402.2 million in 1H 2022 (1H 2021: HK\$251.4 million) mainly attributable to increase in production halt expenses as Daxin EMM Plant, Daxin Manganese EMM Plant and Tiandeng EMM Plant have halted their EMM productions temporarily in the first quarter of the year 2022.



Management Discussion and Analysis

Impairment Losses on Mining Rights

In 1H 2022, the demand of manganese ores decreased significantly near the region of Changgou Manganese Mine and Waifu Manganese Mine as the local EMM manufacturers slowed down their productions during the period. Furthermore, there was shrinkage of demand for downstream steel products in China in 1H 2022 and the Group expects the oversupply of manganese ores in these local regions may sustain for a certain period. In response, the Group made alternations to the investment and expansion plans of Changgou Manganese Mine and Waifu Manganese Mine to contain our cash level. Further alternations of the investment plans led to adjustments to value-in-use of the two mines, as a result, impairment losses on mining rights of HK\$75.8 million and HK\$50.5 million were recognised in respect of Changgou Manganese Mine and Waifu Manganese Mine respectively in 1H 2022. Further information of the above impairments is as follow:

(a) Changgou Manganese Mine

At 30 June 2022, the Group recognised an impairment loss of HK\$75.8 million (1H 2021: Nil) in respect of Changgou Manganese Mine owned by our 64%-owned subsidiary Zunyi Group to write down to the recoverable amount of the mining right and its related infrastructure and plant and machinery ("CGU") of HK\$332.1 million.

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

	30 June 2022	31 December 2021
(a) Production volume of ore ('000 tonnes)		
i) First year of production	244	338
ii) Second and third years of production	621	636
iii) Fourth to last year of production	4,932	5,611
	5,797	6,585
(b) Average selling price (HK\$/tonnes)	444	502
(c) Pre-tax discount rate	11.1%	11.1%

For valuation as at 30 June 2022, the production volume was determined based on estimated ore reserves which was assessed by the Local Bureau of Geology and Mineral Exploration in accordance with the relevant rules governing the exploration of geology and mineral resources and future production plan as expanded starting from the year 2023.

The assumed average ore selling price of HK\$444 per tonne (equivalent to RMB368 per tonne) over the remaining useful life of the mining rights was estimated with reference to historic average market price of ore and current market condition in accordance with Guiding Opinions on Determination of Mining Rights Evaluation Parameters (or "礦業權評估參數確定指導意見" in Chinese).

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

(b) Waifu Manganese Mine

At 30 June 2022, the Group recognised an impairment loss of HK\$50.5 million (1H 2021: Nil) in respect of Waifu Manganese Mine wholly owned by the Group to write down to the recoverable amount of the mining right and its related infrastructure and plant and machinery ("CGU") of HK\$9.4 million.



Management Discussion and Analysis

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

	30 June 2022
(a) Production volume of ore ('000 tonnes)	
i) First year of production	–
ii) Second and third years of production	–
iii) Fourth to last year of production	450
	450
(b) Average selling price (HK\$/tonnes)	321
(c) Pre-tax discount rate	11.1%

For valuation as at 30 June 2022, the production volume was determined based on estimated ore reserves which was assessed by the Local Bureau of Geology and Mineral Exploration in accordance with the relevant rules governing the exploration of geology and mineral resources and future production plan as expanded starting from the year 2026.

The assumed average ore selling price of HK\$321 per tonne (equivalent to RMB266 per tonne) over the remaining useful life of the mining rights was estimated with reference to historic average market price of ore and current market condition.

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

Reversals of Impairment Losses on Financial Assets, Net

The amount mainly represents reversal of impairment allowance on certain long outstanding trade receivables which have been settled in 1H 2022.

Finance Costs

For 1H 2022, the Group's finance costs were HK\$97.8 million (1H 2021: HK\$98.9 million), representing a decrease of 1.0%.

Other Expenses

Other expenses of HK\$5.4 million (1H 2021: HK\$10.6 million) mainly represents donations and inspection fees.

Share of Profits and Losses of Associates

In 1H 2022, share of profits of associates of HK\$346,000 (1H 2021: losses of HK\$103.1 million) represent share of profits of 16.35%-owned associate Qingdao Manganese.

Income Tax Expenses

In 1H 2022, the effective tax rate is 20.5% (1H 2021: 67.5%) which is higher than the statutory preferential corporate income tax rate of China 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.



Management Discussion and Analysis

Profits Attributable to Owners of the Parent

For 1H 2022, the Group's profit attributable to owners of the parent was HK\$453.3 million (1H 2021: HK\$22.1 million).

Earnings per Share

For 1H 2022, earnings per share attributable to ordinary equity holders of the Company was HK\$0.1322 (1H 2021: HK\$0.0064).

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (1H 2021: Nil).

Liquidity and Financial Resources

Cash and Bank Balances

As at 30 June 2022, the currency denomination of the Group's cash and bank balances including pledged deposits are as follows:

Currency denomination	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Denominated in:		
RMB	1,677.8	1,122.5
HKD	1.2	1.8
USD	134.5	85.5
XAF	27.7	36.1
	1,841.2	1,245.9

As at 30 June 2022, our cash and bank balances including pledged deposits were HK\$1,841.2 million (31 December 2021: HK\$1,245.9 million) while the Group's borrowings amounted to HK\$4,665.1 million (31 December 2021: HK\$4,113.9 million). The Group's borrowings net of cash and bank balances amounted to HK\$2,823.9 million (31 December 2021: HK\$2,868.0 million).

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

Other major changes in working capital

- At 30 June 2022, trade and notes receivables of the Group decreased by HK\$344.8 million to HK\$1,109.9 million (31 December 2021: HK\$1,454.7 million) mainly attributable to increase in discounting of notes receivable to contain cash level.
- At 30 June 2022, prepayments, other receivables and other assets classified under current assets decreased by HK\$203.1 million to HK\$1,561.1 million (31 December 2021: HK\$1,764.2 million) attributable to decrease in prepayments for purchase of manganese ores and non-manganese metals.
- At 30 June 2022, other payables and accruals decreased by HK\$710.7 million to HK\$1,299.2 million (31 December 2021: HK\$2,009.9 million) mainly attributable to (i) decrease in receipts in advance from customers of trading business upon delivery of products; and (ii) decrease in value added tax payable in China.

Net Current Liabilities

As at 30 June 2022, the Group had net current liabilities of HK\$302.2 million (31 December 2021: HK\$1,276.2 million). The decrease in net current liabilities because the Group has obtained more long-term loans during the period.



Management Discussion and Analysis

Bank and Other Borrowings

As at 30 June 2022, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Secured borrowings (including lease liabilities)	327.0	42.6
Unsecured borrowings	4,338.1	4,071.3
	4,665.1	4,113.9

Maturity profile	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Repayable:		
On demand or within one year	3,598.1	3,624.0
After one year and within two years	654.7	478.1
After two years and within five years	412.3	11.8
	4,665.1	4,113.9

Currency denomination	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Denominated in:		
RMB	4,665.1	4,060.9
USD	–	53.0
	4,665.1	4,113.9

As at 30 June 2022, borrowings as to the amounts of HK\$2,870.8 million (31 December 2021: HK\$2,301.0 million) and HK\$1,794.3 million (31 December 2021: HK\$1,812.9 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 2.00% to 9.30%. The floating rate borrowings carry interest up to a premium up to 10% above the China Loan Prime Rate.

Overall, aggregate borrowings increased to HK\$4,665.1 million (31 December 2021: HK\$4,113.9 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 2022, (a) right-of-use assets of HK\$72.6 million (31 December 2021: HK\$147.9 million) related to property, plant and equipment were held under leases; (b) bank balances of HK\$517.0 million (31 December 2021: HK\$200.5 million) were pledged to secure certain of the Group's bank acceptance notes payable; and (c) property, plant and equipment and leasehold lands of HK\$153.9 million (31 December 2021: Nil) were pledged to secure certain of the Group's bank loans.



Management Discussion and Analysis

Guarantees

- (a) As at 30 June 2022, 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 2022, the associate's banking facilities guaranteed by the Group and the holding company of the associate amounted to RMB800.0 million (equivalent to HK\$937.5 million) and were utilised to the extent of RMB557.9 million (equivalent to HK\$653.8 million) (31 December 2021: RMB559.9 million, equivalent to HK\$685.9 million).

- (b) As at 30 June 2022, 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 2022, the loan facilities guaranteed by the Group and the major shareholder of the borrower amounted to RMB100.0 million (equivalent to HK\$117.2 million) (31 December 2021: RMB100.0 million, equivalent to HK\$122.5 million) and were utilised to the extent of RMB45.0 million (equivalent to HK\$52.7 million) (31 December 2021: RMB50.0 million, equivalent to HK\$61.3 million) by the borrower.

Key Financial Ratios of the Group

	30 June 2022	31 December 2021
Current ratio	0.95	0.82
Quick ratio	0.72	0.63
Net Gearing ratio	83.7%	92.3%

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 2022, current ratio and quick ratio improved because more long-term bank loans were obtained in 1H 2022. Net gearing ratio improved mainly due to profit attributable to owners of the parent in 1H 2022.

Liquidity risk and going concern basis

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



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\$302.2 million as at 30 June 2022. Subsequent to the end of the reporting period, the Group has successfully obtained new short-term bank loans of HK\$360.9 million during the period from 1 July 2022 up to the date of this report. 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.

As at 30 June 2022, 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. As at 30 June 2022, trade receivables from Customer A was HK\$231.6 million (31 December 2021: HK\$231.6 million) and represented 20.9% (31 December 2021: 20.4%) of the Group's total trade receivables, which was totally overdue and fully provided as at 30 June 2022 and 31 December 2021. The Group is now in the process to negotiate a repayment schedule with Customer A with an aim to speed up the collections of the outstanding balance.

Interest rate risk

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

Foreign exchange risk

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

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

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



Management Discussion and Analysis

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

Business Model and Strategy

The Group strives to be the global leading one stop and vertical integrated manganese producer while maintaining the Group's long term profitability and assets growth with adoption of flexible business model and strategy and prudent risk and capital management framework. We intend to adopt and implement the following strategies to achieve our objective:

- (a) expand and upgrade our manganese resources and reserves through exploration and enhance our strategic control of manganese resources and reserves through mergers and acquisitions;
- (b) enhance our operational efficiency and profitability; and
- (c) establish and consolidate our strategic relationships with selected major customers and industry leading partners.

Future Development and Outlook

In 1H 2022, although the COVID-19 showed sign of resurgence in China, the Group continues to demonstrate its commitment to its duties and align with the government in adopting measures to contain the epidemics. It is expected that with gradual increase in vaccination coverage in China, we are cautiously optimistic about the continuous recovery of the economy of China. Overseas, more and more countries were easing the quarantine measures gradually to co-exist with the COVID-19. Hopefully with the implementation of different measures and the wider use of vaccines, global economy will return to normal gradually.

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

As the second largest EMM manufacturer and supplier in China, we integrate the aims and requirements of the government to achieve "carbon peak and carbon neutrality", work with the initiatives and plans of Metallurgical Mines' Association of China EMM Innovation Alliance ("中國冶金礦山企業協會電解金屬錳創新聯盟"), strengthen the synergies of the industry with common objectives to improve and upgrade our industry, accelerate eco-friendly development and achieving sustainable development, which are achieving notable progress. The sector outlook is expected to be challenging in the second half of the year 2022 as steel manufacturers still face challenges, such as oversupply and rising production costs which weaken their demand for our EMM Products. To weather the storm, major players in EMM sector join hands and launch out measures such as production suspension to cut EMM supply and technical upgrades.

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

Environmental, Social and Governance Report

We always adhere to the concept of sustainable development including using scientific design and taking advanced, reasonable and effective measures to exploit mine resources scientifically, orderly, and reasonably. 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.

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, 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.



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 2022 is set out in the following table:

Critical Areas	Key performance indicators	Six months ended 30 June		
		2022	2021	2020
Safety Production and Labour Protection	Number of Fatalities (Note 1)	0	0	0
	Number of Injuries	0	0	6
	Number of Lost Days Caused by Injuries (Note 2)	0	0	240
Energy Savings and Environmental Protection	Total Electricity Consumption (MWh) (Note 3)	832,120	1,122,468	1,132,671
	(i) Electricity Intensity of EMM (kWh per tonne) (Note 4)	6,394	6,574	6,569
	(ii) Electricity Intensity of EMD (kWh per tonne) (Note 5)	1,877	2,003	1,887
	(iii) Electricity Intensity of silicomanganese alloy (kWh per tonne) (Note 6)	3,888	3,960	3,762
	Total Water Consumption (Tonnes) (Note 7)	3,076,751	1,925,418	2,479,022
	(i) Water Intensity of EMM (m ³ per tonne) (Note 8)	4.21	1.45	1.50
	(ii) Water Intensity of EMD (m ³ per tonne) (Note 9)	1.37	2.86	2.61
	(iii) Water Intensity of silicomanganese alloy (m ³ per tonne) (Note 10)	0.92	2.09	0.72
	Exhaust Gas Emission (Tonnes) (Note 11)	48	23	25
	Greenhouse Gas Emission (Tonnes) (Note 12)	104,685	–	–
	Waste Slag Volume (Tonnes)	819,144	1,293,848	1,037,855
	Non-hazardous Waste Produced (Tonnes) (Note 13)	532,036	435,798	540,285
	Total Packaging Material Used for Finished Products Number	1,095,626	509,612	941,707
Quality Operation System Establishment, Employment Training and Growth	Number of Suppliers	400	367	286
	Number of Complaint against our Products	1	0	0
	Number of Complaints and/or Legal Cases regarding Corrupt Practices	0	0	0
	Number of Employees	7,150	7,090	7,090
Social Contribution, Living Environment and Culture Development	Female Ratio (percentage)	29.5	30.7	31.4
	Donation (HKD)	977,000	384,481	513,000

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 silicomanganese alloy processing plants.
4. The figures include the consolidated average electricity usage (kWh) per EMM (tonne) for our EMM production by our EMM plants.
5. The figures include the average electricity usage (kWh) per EMD (tonne) for EMD production by our EMD plants.
6. The figures include the average electricity usage (kWh) per silicomanganese alloy (tonne) for our silicomanganese alloy production by our silicomanganese alloy plants.
7. The figures include the total water consumption for the EMM, EMD and silicomanganese alloy processing plants.
8. The figures include the consolidated average water usage (m³) per EMM (tonne) for our EMM production by our EMM plants.
9. The figures include the average water usage (m³) per EMD (tonne) for our EMD production by our EMD plants.
10. The figures include the average water usage (m³) per silicomanganese alloy (tonne) for our silicomanganese alloy production by our silicomanganese alloy plants.
11. The figures include the exhaust gas emissions for Qinzhou Ferroalloy Plant and Xingyi Ferroalloy Plant.
12. The figures include the greenhouse gas emission for Qinzhou Ferroalloy Plant and Xingyi Ferroalloy Plant during the six months ended 30 June 2022. But no such figures of Xingyi Ferroalloy Plant were collected for the six months ended 30 June 2020 and 2021.
13. The figures include the tailings produced by Daxin Mine, Tiandeng Mine, Changgou Manganese Mine and Bembélé Manganese Mine during the year. Since Waifu Manganese Mine has not come into formal mining production, therefore no tailings were produced in Waifu Manganese Mine during the six months ended 30 June 2022.



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 2022, our major measures are as follows:

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

In China, we continued to strictly implement the “Six Major Safety Systems” in our Daxin Mine, Tiandeng Mine and Changgou Manganese Mine.

(2) Strict Implementation of Safety Production Responsibility System:

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

(3) Establishment of Safety Production Standardisation System:

In China, we continued to reinforce our efforts on production safety standardisation for metallurgical and non coal enterprises, including, inter alia, the followings:

- (i) Daxin Branch maintained the qualification for second level safety standardization in respect of EMM plants and EMD plants;
- (ii) Chongzuo Branch maintained the qualification for second level safety standardization; and
- (iii) Qinzhou Ferroalloy Plant maintained the qualification for the second level safety standardization.

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

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

- (i) We continued to carry out safety inspection activities; and
- (ii) We commenced “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 novel coronavirus, 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 Labor Protection (continued)

(5) Strict Compliance with Labour Standards:

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

We prohibited the employment of child, forced or compulsory labour in any of our operations. During the six months ended 30 June 2022, we did not identify any operation or supplier as having significant risk of child labour, young workers exposed to hazardous work, or forced or compulsory labour.

(6) Continuous Investment to the Safety Measures:

We committed to invest in our safety measures for labor protection, including protection accessories, dust prevention and noise removal facilities. During the six months ended 30 June 2022, 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 2022:

Number of Fatalities (by Location)	Six months ended 30 June		
	2022	2021	2020
Hong Kong	0	0	0
Mainland China	0	0	0
Gabon	0	0	0
Total	0	0	0

Number of Injuries (by Location)	Six months ended 30 June		
	2022	2021	2020
Hong Kong	0	0	0
Mainland China	0	0	6
Gabon	0	0	0
Total	0	0	6



Environmental, Social and Governance Report

1. Safety Production and Labor Protection (continued)

Fatality Rate (%) (by Location)	Six months ended 30 June		
	2022	2021	2020
Hong Kong	0	0	0
Mainland China	0	0	0
Gabon	0	0	0
Total	0	0	0

Number of Lost Days Caused by Injuries (by Location)	Six months ended 30 June		
	2022	2021	2020
Hong Kong	0	0	0
Mainland China	0	0	240
Gabon	0	0	0
Total	0	0	240

The number of lost days caused by injuries during the six months ended 30 June 2022 maintained at low level due to our efforts in the enhancement of safety production measures.

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

Compliance with Safety Production Rules and Regulations and Labour Standards

During the six months ended 30 June 2022, 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 2022.

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 2022, we collected the figures for total electricity consumption and water consumption for all the EMM, EMD and silicomanganese alloy processing plants. Details are set out in the following table:

	Six months ended 30 June		
	2022	2021	2020
Electricity Consumption (MWh)	832,120	1,122,468	1,132,671
(i) Electricity Intensity of EMM (kWh per tonne)	6,394	6,574	6,569
(ii) Electricity Intensity of EMD (kWh per tonne)	1,877	2,003	1,887
(iii) Electricity Intensity of silicomanganese alloy (kWh per tonne)	3,888	3,960	3,762
Water Consumption (Tonnes)	3,076,751	1,925,418	2,479,022
(i) Water Intensity of EMM (m ³ per tonne)	4.21	1.45	1.50
(ii) Water Intensity of EMD (m ³ per tonne)	1.37	2.86	2.61
(iii) Water Intensity of silicomanganese alloy (m ³ per tonne)	0.92	2.09	0.72



Environmental, Social and Governance Report

2. Energy Savings and Environmental Protection (continued)

Reduction of Waste Production

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

(1) Exhaust Gas and Greenhouse Gas Emissions

The exhaust gas and greenhouse gas emissions are mainly caused during the silicomanganese alloy production by Qinzhou Ferroalloy Plant and Xingyi Ferroalloy Plant. Beyond that, the exhaust gas and greenhouse gas emissions by our other segment of business is relatively not significant and therefore we have not taken into account. We improved the production technology, reduced energy consumption and continuously and regularly detected exhaust gas and greenhouse gas emissions, so as to reduce the total amount of exhaust gas and greenhouse gas emissions and its impact on the natural environment, and meet the environmental impact assessment implementation standards. Details of our exhaust gas and greenhouse gas emissions are set out as follows:

	Six months ended 30 June		
	2022	2021	2020
Exhaust Gas			
Nitrogen oxides (NOx) (Tonnes)	34	21	23
Sulfur oxides (SOx) (Tonnes)	14	2	2
Total Amount (Tonnes)	48	23	25
Greenhouse Gas			
Scope 1 emissions (Tonnes)	98,677	–	–
Scope 2 emissions (Tonnes)	6,008	–	–
Total Amount (Tonnes)	104,685	–	–

(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		
	2022	2021	2020
Waste Slags Volumes (Tonnes)	819,144	1,293,848	1,037,855

(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		
	2022	2021	2020
Tailings Production (Tonnes)	532,036	435,798	540,285

(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		
	2022	2021	2020
Packaging bags	1,095,626	509,612	941,707

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 2022, 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 2022, we have implemented the following measures:

- (1) Our upstream mining business:
 - (i) we continued to optimize production layout, ensure raw material supply and improve the mining methods, thereby reducing the mining costs;
 - (ii) Through technical improvement, we fully tap the potential of equipment, improve production efficiency and achieve energy saving; and
 - (iii) we continued to strengthened the safety management of underground mining, thereby preventing and reducing production safety accidents and ensuring production efficiency.

- (2) Our downstream business:
 - (i) EMM business:
 - (a) we improved the metal recovery rate during our EMM production process, thereby reducing the unit consumption rate;
 - (b) we carried out safety rectification works in respect of safety and environmental risks for our EMM plants, thereby preventing the happening of safety and environmental accidents; and
 - (c) Our technical center and the production management department jointly held an electrolytic metal manganese technology exchange meeting at Tiandeng Mine, so as to strengthen communication and improve the technical level.
 - (ii) EMD business:
 - (a) we effectively reduced the rinsing times during our EMD production process, and used the recycled rinse water in a systematic manner, thereby reducing the energy consumption; and
 - (b) we increased the chemical leaching efficiency to ensure our quality of electrolysis.



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) Silicomanganese alloy business:

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

3. Quality Operation System Establishment, Employment Training and Growth

(1) Quality Operation System Establishment

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

(i) Supply Chain Management

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

Details of the number of our suppliers are set out as follows:

Number of our suppliers	Six months ended 30 June		
	2022	2021	2020
Hong Kong	1	1	1
Mainland China	392	361	280
Gabon	7	5	5
Total	400	367	286

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 ISO9001:2015 quality management requirement.

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

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

As a result of our continuous stringent control in respect of the quality of our products, the complaints and/or recalls we received in respect of our products continued to remain at a low level. During the six months ended 30 June 2022, the complaints and/or recalls we received in respect of our products are as follows:

	Six months ended 30 June		
	2022	2021	2020
Number of products related complaints and/or recalls received	1	0	0

(iii) Probity Operating System Establishment

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

During the six months ended 30 June 2022, the complaints or legal cases regarding corruption we received are as follows:

	Six months ended 30 June		
	2022	2021	2020
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 2022.

(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 2022, effectively improving the quality of staff, and promoting development of our employees.

During the six months ended 30 June 2022, our major training activities and projects are as follows:

- (i) Training on “Emotional Intelligence Leadership and Innovative Thinking for Managers”;
- (ii) “2022 Enterprise R&D Investment Expense Collection Special Training” of the Open Course of South Manganese;
- (iii) “Guangxi Future Factory, Smart Factory and Digital Workshop Enterprise Declaration and Policy Interpretation”;
- (iv) Symposium on “Establishing both breakthroughs and accelerating the construction of a unified national market”;
- (v) Training on “Process, Methods and Skills for Internal Audit of National Laboratories and Inspection and Testing Institutions”;
- (vi) “Workplace Etiquette Training” of the Open Course of South Manganese;
- (vii) 2022 “Safety Production Month” and safety production, environmental protection management knowledge training;
- (viii) Special training on “Labor Relations and Employment Management, Standardized Management of Personnel Files”; and
- (ix) “Human Resources in the Non-ferrous Industry” training course.

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 purchased agricultural and sideline products from poverty-stricken counties as employee benefits to help poverty-stricken areas get rid of Poverty;
 - (b) Our subsidiaries organized our employees to actively visit nursing centres and orphanages and carry out various charity poverty alleviation activities; and
 - (c) We supported the local government in laying gravel roads, thereby enhancing the travel convenience of the local residents.
 - (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 are determined to carry out "send warmth" event and we always understand and pay attention to the employees in difficulty, so as assist them to solve their problems;
 - (c) We carry out the service activities of "delivering health to the grassroots" to provide free health consultations, blood pressure measurement and Chinese medicine intermediate frequency pulse therapy for our employees; 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 held a Spring Festival Tea Party on the eve of the Spring Festival;
 - (b) We held the "Dameng Good Book Recommendation" book club activity; and
 - (c) We built cinema, soccer field and purchased treadmills for our employees, so as to enrich the life of the employees.



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 2022, our cash donations to charities reached HK\$977,000. Details are as follows:

	Six months ended 30 June		
	2022	2021	2020
Donation (HKD)	977,000	384,481	513,000

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



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 2022:

Summary of our manganese mineral resources

Mining Block	Ownership Percentage	JORC Resource Category	Average Manganese		Average Manganese	
			Million Tonnes	Grade (%)	Million Tonnes	Grade (%)
			As of 30.6.2022		As of 31.12.2021	
Daxin Mine	100%	Measured	3.35	26.03	3.35	26.03
		Indicated	55.70	22.09	56.28	22.02
		Subtotal	59.05	22.32	59.63	22.24
		Inferred	0.43	21.23	0.43	21.23
		Total	59.48	22.31	60.06	22.23
Tiandeng Mine	100%	Measured	0.55	18.26	0.55	18.26
		Indicated	2.52	17.22	2.55	17.15
		Subtotal	3.07	17.41	3.10	17.35
		Inferred	3.46	14.28	3.46	14.28
		Total	6.53	15.75	6.56	15.73
Waifu Manganese Mine	100%	Measured	–	–	–	–
		Indicated	–	–	–	–
		Subtotal	–	–	–	–
		Inferred	1.54	17.52	1.54	17.52
		Total	1.54	17.52	1.54	17.52
Changgou Manganese Mine	64%	Measured	3.06	20.45	3.19	20.45
		Indicated	15.02	20.32	15.02	20.32
		Subtotal	18.08	20.34	18.21	20.34
		Inferred	3.24	20.5	3.24	20.50
		Total	21.32	20.37	21.45	20.37
Bembélé Manganese Mine	51%	Measured	–	–	–	–
		Indicated	7.66	34.29	8.78	33.53
		Subtotal	7.66	34.29	8.78	33.53
		Inferred	12.37	32.74	12.37	32.75
		Total	20.03	33.33	21.15	33.07
Total			108.90		110.76	



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 30.6.2022		As of 31.12.2021	
Daxin Mine	100%	Proved Probable	3.13	20.75	3.13	20.75
			53.17	19.31	53.75	19.26
			56.30	19.39	56.88	19.34
Tiandeng Mine	100%	Proved Probable	0.51	15.78	0.51	15.78
			2.40	15.99	2.43	15.93
			2.91	15.95	2.94	15.91
Waifu Manganese Mine	100%	Proved Probable	-	-	-	-
			-	-	-	-
			-	-	-	-
Changgou Manganese Mine	64%	Proved Probable	3.06	20.45	3.19	20.45
			15.02	20.32	15.02	20.32
			18.08	20.34	18.21	20.34
Bembélé Manganese Mine	51%	Proved Probable	-	-	-	-
			7.65	30.42	8.77	31.36
			7.65	30.42	8.77	31.36
Total			84.94		86.80	

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 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

There were no significant progress in respect of our exploration works and we have not conducted any exploration drilling works in the PRC. Our main focus was to continue to carry out geological exploration work at Bembele Manganese Mine in Gabon and we have achieved certain exploration results.

Daxin Mine

During the six months ended 30 June 2022, 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 2022, 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 2022, 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 2022, 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 2022, we continued the following geological exploration work at Bembélé Manganese Mine:

- (1) further research on the metallogenetic geological characteristics and metallogenetic regularity in the underground of other parts of our 20 square kilometers mining rights areas and its surrounding region;
- (2) further exploration works focusing on the geological survey within 2,000 square kilometers exploration right areas, so as to provide geological data for the detailed survey in the next step.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Bembélé Manganese Mine during the six months ended 30 June 2022.

II) Development

Daxin Mine

During the six months ended 30 June 2022, we continued the following infrastructure works or projects at the Daxin Mine:

- (1) Our outsourced contractor continued the 1,000,000 tonnes/year expansion project for the underground mining at southern mining zone of Daxin Mine. As at 30 June 2022, the tunnel construction works amounted to approximately 11,560 metres in length.
- (2) Our outsourced contractor also continued the 500,000 tonnes/year underground mining project at the north-central mine section of Daxin Mine. As at 30 June 2022, the tunnel construction works amounted to approximately 22,298 meters in length.

Save as disclosed hereinabove, during the six months ended 30 June 2022, 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.



Summary of Our Manganese Mineral Resources and Our Manganese Ore Reserves

Exploration, Development, and Mining Activities (continued)

II) Development (continued)

Tiandeng Mine

During the six months ended 30 June 2022, we have purchased some mining machines and related facilities in order to replace the obsolete or damaged machines or facilities.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Tiandeng Mine during the six months ended 30 June 2022.

Waifu Manganese Mine

During the six months ended 30 June 2022, 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 2022, we have purchased some mining machines and related facilities in order to replace the obsolete or damaged machines or facilities.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Changgou Manganese Mine during the six months ended 30 June 2022.

Bembélé Manganese Mine

During the six months ended 30 June 2022, we continued the following infrastructure works or projects at the Bembélé Manganese Mine:

- (1) line 3 expansion project of the processing plant so as to enhance the processing capacity of Bembélé Manganese Mine;
- (2) preliminary work for the railway track extension technical transformation project of the Ndjolé transit station, so as to improve the railway transportation capacity from the mine to the Owendo port;
- (3) the preliminary environmental impact assessment of the second-phase tailings expansion project so as to improve our tailings capacity.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure constructions, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Bembélé Manganese Mine during the six months ended 30 June 2022.

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

	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Open pit mining		
Mine production (thousand tonnes)	28	68
Underground mining		
Mine production (thousand tonnes)	467	702
Total mine production (thousand tonnes)	495	770
Average manganese grade		
Manganese carbonate ore	13.0%	13.5%
Manganese oxide ore	26.0%	19.6%

Tiandeng Mine

	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Open pit mining		
Mine production (thousand tonnes)	225	297
Average manganese grade		
Manganese carbonate ore	12.5%	12.2%
Manganese oxide	10.9%	14.0%

Waifu Manganese Mine

	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Underground mining		
Mine production (thousand tonnes)	–	–
Average manganese carbonate grade	–	–

Changgou Manganese Mine

	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Underground mining		
Mine production (thousand tonnes)	112	148
Average manganese carbonate grade	15.3%	15.7%

Bembélé Manganese Mine

	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Open pit mining		
Mine production (thousand tonnes)	1,125	896
Average manganese oxide grade	28.3%	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)	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Daxin Concentration Plant		
Concentrate production		
Manganese carbonate ore	347	479
Manganese oxide ore	28	51
Total	375	530
Average manganese grade of concentrate		
Manganese carbonate ore	19.2%	19.9%
Manganese oxide ore	28.5%	29.7%
Tiandeng Concentration Plant		
Concentrate production		
Manganese carbonate ore	139	476
Manganese oxide ore	7	33
Total	146	509
Average manganese grade of concentration		
Manganese carbonate ore	12.1%	11.5%
Manganese oxide ore	20.4%	21.1%
Bembélé Concentration Plant		
Concentrate production	668	545
Average manganese grade of concentrate	32.8%	34.1%

• Grinding

Production (thousand tonnes)	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Daxin Grinding Plant		
Powder produced	325	468

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)	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Daxin EMM Plant	28.0	43.4
Daxin Manganese EMM Plant	4.0	8.6
Tiandeng EMM Plant	11.5	16.1
Start EMM Plant	5.4	7.4
Total	48.9	75.5



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)	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Daxin Branch	5.8	10.6
Chongzuo Branch	2.6	3.1
Total	8.4	13.7

- Silicomanganese alloy

Production (thousand tonnes)	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Qinzhou Ferroalloy Plant	29.7	33.7
Xingyi Ferroalloy Plant	56.0	60.0
Total	85.7	93.7

(2) Battery materials

- EMD

Production (thousand tonnes)	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Daxin EMD Plant	14.3	14.6
Huiyuan Manganese	49.4	43.7
Total	63.7	58.3

- Lithium manganese oxide

Production (thousand tonnes)	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Chongzuo Branch	3.2	3.1

- Manganese sulfate

Production (thousand tonnes)	1.1.2022-30.6.2022	1.1.2021-30.6.2021
Daxin Manganese Sulfate Plant	5.8	13.9
Huiyuan Manganese	4.7	–
Total	10.5	13.9

Note: 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 2022 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	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Others	-	-	-	-	3,277	3,277
	-	-	-	-	3,277	3,277
Development activities (including mine construction)						
Purchases of assets and equipment	-	961	-	10,424	309	11,694
Construction of mines, tunnels and roads	-	-	-	-	-	-
Staff cost	-	-	-	-	-	-
Sub-contracting fee	-	-	-	-	-	-
Others	175	-	-	-	17,436	17,611
	175	961	-	10,424	17,745	29,305
Mining activities*						
Staff cost	2,173	6,825	-	3,269	-	12,267
Consumables	831	7,320	-	711	-	8,862
Fuel, electricity, water and other services	1,874	5,557	-	2,252	-	9,683
Transportation	5,114	-	-	-	-	5,114
Sub-contracting fee	94,395	288	-	25,194	92,710	212,587
Depreciation	18,279	2,472	-	99	2,022	22,872
Others	1,707	4,308	-	6,394	-	12,409
	124,373	26,770	-	37,919	94,732	283,794

(*Concentrating not included)

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 2022, we have a total of 7,150 employees (30 June 2021: 7,090), mainly in Mainland China, representing 99.43% (30 June 2021: 99.44%). Over 31.43% 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 2022, our overall turnover rate was 1.50% (30 June 2021: 4.36%).

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

Headcount by Location	2022			As at 30 June 2021		
	Male	Female	Total	Male	Female	Total
Hong Kong	8	6	14	10	7	17
Mainland China	5,015	2,094	7,109	4,889	2,161	7,050
Gabon	15	12	27	13	10	23
Total:	5,038	2,112	7,150	4,912	2,178	7,090

Headcount by Age	Hong Kong		Mainland China		Gabon		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
60 and above	2	1	29	11	0	0	31	12
51-59	2	4	1,658	1,513	4	3	1,664	1,520
41-50	2	2	3,197	3,263	9	7	3,208	3,272
31-40	7	8	1,768	1,801	9	9	1,784	1,818
30 and below	1	2	457	462	5	4	463	468
Total:	14	17	7,109	7,050	27	23	7,150	7,090

Headcount by Employment Category	Hong Kong		Mainland China		Gabon		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Senior	3	4	10	10	5	4	18	18
Middle	3	3	107	107	4	3	114	113
Professional	2	2	820	815	2	2	824	819
General	6	8	6,172	6,118	16	14	6,194	6,140
Total:	14	17	7,109	7,050	27	23	7,150	7,090



Human Resources Report

Our Employees (continued)

Employee Turnover

	Hong Kong		Mainland China		Gabon		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Employee Turnover Number	1	1	106	301	0	7	107	309
Employee Turnover Rate	7.14%	5.88%	1.49%	4.27%	0%	30.43%	1.50%	4.36%

Employee Turnover Number by Location	For the six months ended 30 June	
	2022	2021
Hong Kong	1	1
Mainland China	106	301
Gabon	0	7
Total:	107	309

Employee Turnover Number by Age	Hong Kong		Mainland China		Gabon		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
60 and above	0	0	8	49	0	0	8	49
51-59	0	0	28	69	0	1	28	70
41-50	0	1	19	57	0	1	19	59
31-40	1	0	35	65	0	3	36	68
30 and below	0	0	16	61	0	2	16	63
Total:	1	1	106	301	0	7	107	309

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 2022.

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Senior	100	75	90	70	20	0	70	55
Middle	67	67	55	34	25	0	49	34
Professional	100	100	65	41	0	0	55	41
General	33	38	62	59	56	0	50	59



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							
	2022	2021	2022	2021	2022	2021	2022	2021
Senior	35	22	5	3	36	0	25	12
Middle	18	12	18	22	36	0	24	17
Professional	6	7	11	8	0	0	8	7
General	7	70	17	15	36	0	20	42
Total:	66	111	51	48	108	0	77	78

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 six months ended 30 June 2022 which amounted to HK\$43,523,000 (2021: HK\$42,380,000) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

As of 30 June 2022, 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.



Code on Corporate Governance Practices

Throughout the six months ended 30 June 2022, 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 2022, 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 2022, 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 2022.

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

As at 30 June 2022, 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.

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

As at 30 June 2022, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held (a)	Approximate percentage of the Company's issued share capital	Number of share options held
Sun Mingwen	(b)	Through a controlled corporation	994,260,000 (L)	29.00	–
Youfu Investment Co., Ltd	(b)	Directly beneficially interested	994,260,000 (L)	29.00	–
Guangxi Dameng Manganese Industrial Co., Ltd	(c)	Through a controlled corporation	776,250,000 (L)	22.64	–
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	203,090,000 (L)	5.92	–
CITIC Limited	(d)	Through a controlled corporation	203,090,000 (L)	5.92	–
CITIC Corporation Limited	(d)	Through a controlled corporation	203,090,000 (L)	5.92	–
Metal and Mining Link Limited	(d)	Through a controlled corporation	203,090,000 (L)	5.92	–
CITIC Metal Group Limited	(d)	Through a controlled corporation	203,090,000 (L)	5.92	–
Apexhill Investments Limited	(d)	Directly beneficially interested	203,090,000 (L)	5.92	–
Ma Xuedong	(e)	Through a controlled corporation	184,740,000 (L)	5.39	–
Feng Xiang Investment Co., Ltd.	(e)	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) Feng Xiang Investment Co., Ltd is wholly owned by Ma Xuedong.



Save as disclosed above, as at 30 June 2022, 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 2022, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

Review of Accounts

The Audit Committee has reviewed, with no disagreement, the unaudited interim results for the six months ended 30 June 2022 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, 19 August 2022



Glossary of Terms

Audit Committee	audit committee of the Company
Bembélé Concentration Plant	the concentration plant associated with Bembélé Manganese Mine
Bembélé Manganese Mine	a manganese mine located in Bembélé, Moyen-Ogooue Province, Gabon, the exploration rights and mining rights of which are owned by Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) (華州礦業(加蓬)工貿有限公司), a company in which we indirectly hold 51% equity interest
Board or Board of Directors	our board of directors
BVI	the British Virgin Islands
Bye-laws	the bye-laws of our Company, as amended from time to time
Changgou Manganese Mine	貴州遵義匯興鐵合金有限責任公司長溝錳礦 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine)
China or PRC	the People's Republic of China, but for the purpose of this annual report, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
Chongzuo Branch	南方錳業集團有限責任公司崇左分公司 (South Manganese Group Limited Chongzuo Branch)
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, which is a shareholder of our Company
Company or our Company	South Manganese Investment Limited, which is listed on the Stock Exchange (Stock Code: 1091.HK)
Controlling Shareholder	has the meaning ascribed to it under the Listing Rules
Daxin EMD Plant	an EMD production plant located in Daxin county, Guangxi, owned and operated by an indirect wholly owned subsidiary of the Group
Daxin Manganese Sulfate Plant	a manganese sulfate production plant located in Daxin county, Guangxi, owned and operated by an indirect wholly owned subsidiary of the Group
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
EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
EMM Products	EMM and manganese briquette



Glossary of Terms

Gabon	the Gabonese Republic
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC
Guangxi Dameng	廣西大錳業集團有限公司 (Guangxi Dameng Manganese Industry Group Co., Ltd.), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is indirectly wholly-owned by the government of Guangxi, the PRC
Guangxi Start	廣西斯達特錳材料有限公司 (Guangxi Start Manganese Materials Co., Ltd.)
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Huiyuan Manganese	廣西匯元錳業有限責任公司 (Guangxi Huiyuan Manganese Industry Co., Ltd)
JORC	the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
NCM	Lithium Nickel Cobalt Manganese Oxide
Prospectus	the prospectus of the Company dated 8 November 2010
Qingdao Manganese	青島錳系投資合夥企業(有限合夥) (Qingdao Manganese Investment Cooperative Enterprise (Limited Partnership)), a limited partnership in which we indirectly hold 16.35% interest
Qinzhou Ferroalloy Plant	the ferroalloy production plant located near Qinzhou port and owned and operated by 欽州大錳新材料有限公司 (Qinzhou Dameng New Materials Co., Ltd.), a company in which we indirectly hold 70% equity interest
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shares	ordinary shares in the share capital of the Company, with a nominal value of HK\$0.10 each
South Manganese Group	南方錳業集團有限責任公司 (South Manganese Group Limited)
Stock Exchange	the Stock Exchange of Hong Kong Limited
substantial shareholder	has the meaning ascribed to it under the Listing Rules
Tiandeng Mine	南方錳業集團有限責任公司天等錳礦 (South Manganese Group Limited Tiandeng Manganese Mine)



Glossary of Terms

tonne	metric tonne
Waifu Manganese Mine	大新大錳業有限公司外伏錳礦 (Daxin Dameng Manganese Co., Ltd Waifu Manganese Mine)
XAF	Central African CFA franc
Xingyi Ferroalloy Plant	a ferroalloy production plant located in Xingyi, Guizhou, leased and operated by an indirect wholly owned subsidiary of the Group
Zunyi Company	貴州遵義匯興鐵合金有限責任公司 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company)
Zunyi Group	Zunyi Company together with its subsidiaries

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





This interim report cover design was prepared by

Mr. Chan Suk Ching of Legal Department.

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