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South Manganese Investment Limited
南方錳業投資有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1091)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2025

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$6,368.8 million for 2025, representing a decrease of 51.8% from HK\$13,210.5 million for 2024.
- Gross profit amounted to HK\$1,066.4 million for 2025, representing an increase of 162.4% from HK\$406.4 million for 2024. Gross profit margin was 16.7% for 2025, representing an increase of 13.6 percentage points from 3.1% for 2024.
- Operating profit amounted to HK\$305.2 million for 2025 (2024: loss of HK\$375.7 million).
- Impairment losses on financial assets, net, amounted to HK\$50.6 million for 2025 (2024: HK\$353.5 million).
- Profit attributable to owners of the Company amounted to HK\$167.1 million for 2025 (2024: loss of HK\$725.1 million).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	<i>Note</i>	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
REVENUE	3	6,368,752	13,210,519
Cost of sales		<u>(5,302,339)</u>	<u>(12,804,154)</u>
Gross profit		1,066,413	406,365
Other income and gains	3	106,336	144,192
Selling and distribution expenses		(71,861)	(132,953)
Administrative expenses		(545,505)	(523,905)
Impairment losses on non-financial assets		(42,944)	(17,750)
Impairment losses on financial assets, net		(50,604)	(353,540)
Finance costs	4	(155,483)	(144,826)
Other expenses, net		(94,709)	(124,598)
Share of profits and losses of associates		<u>23,745</u>	<u>(10,058)</u>
PROFIT/(LOSS) BEFORE TAX	5	235,388	(757,073)
Income tax expense	6	<u>(91,851)</u>	<u>(44,893)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>143,537</u>	<u>(801,966)</u>
OTHER COMPREHENSIVE INCOME:			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
– Changes in fair value of financial assets at fair value through other comprehensive income (“FVTOCI”), net of tax		(15)	539
– Exchange differences on translation of foreign operations		<u>56,714</u>	<u>(49,748)</u>
		<u>56,699</u>	<u>(49,209)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>200,236</u>	<u>(851,175)</u>

	2025	2024
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year attributable to:		
Owners of the Company	167,065	(725,070)
Non-controlling interests	<u>(23,528)</u>	<u>(76,896)</u>
	<u>143,537</u>	<u>(801,966)</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	237,604	(789,511)
Non-controlling interests	<u>(37,368)</u>	<u>(61,664)</u>
	<u>200,236</u>	<u>(851,175)</u>
EARNINGS/(LOSS) PER SHARE		
ATTRIBUTABLE TO OWNERS		
OF THE COMPANY		
	7	
Basic	<u>HK\$0.0394</u>	<u>HK\$(0.2115)</u>
Diluted	<u>HK\$0.0394</u>	<u>HK\$(0.2115)</u>

The Board does not recommend the payment of any dividend for the year ended 31 December 2025 (2024: Nil).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,996,469	4,015,985
Investment properties		90,972	92,758
Right-of-use assets		491,460	493,385
Intangible assets		204,874	206,907
Interests in associates		95,197	99,403
Deferred tax assets		45,065	40,962
Prepayments and other assets		141,560	114,174
Total non-current assets		5,065,597	5,063,574
CURRENT ASSETS			
Inventories		681,225	1,000,707
Trade and notes receivables	9	872,778	947,166
Prepayments, other receivables and other assets		761,905	1,062,130
Due from related companies		12,707	–
Tax recoverable		452	441
Restricted deposits		35,840	27,835
Pledged deposits		858,740	282,421
Cash and cash equivalents		806,996	402,329
Total current assets		4,030,643	3,723,029

	<i>Note</i>	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade and notes payables	<i>10</i>	1,282,589	1,207,900
Other payables and accruals		1,260,023	1,213,223
Interest-bearing bank and other borrowings		2,851,881	2,910,076
Due to related companies		2,338	5,152
Tax payables		73,702	46,069
		<u>5,470,533</u>	<u>5,382,420</u>
Total current liabilities		5,470,533	5,382,420
NET CURRENT LIABILITIES			
		<u>(1,439,890)</u>	<u>(1,659,391)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>3,625,707</u>	<u>3,404,183</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		793,741	1,035,504
Deferred tax liabilities		171,945	221,583
Other long-term liabilities		111,202	127,042
Deferred income		49,815	42,867
		<u>1,126,703</u>	<u>1,426,996</u>
Total non-current liabilities		1,126,703	1,426,996
NET ASSETS			
		<u>2,499,004</u>	<u>1,977,187</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		493,698	342,846
Reserves		2,427,097	2,018,764
		<u>2,920,795</u>	<u>2,361,610</u>
Non-controlling interests		(421,791)	(384,423)
		<u>(421,791)</u>	<u>(384,423)</u>
TOTAL EQUITY			
		<u>2,499,004</u>	<u>1,977,187</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”) and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at FVTOCI which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2025, the Group had net current liabilities of HK\$1,439,890,000 (2024: HK\$1,659,391,000), out of which HK\$2,851,881,000 represented bank and other borrowings repayable within one year.

The directors of the Company have carefully considered the Group’s future liquidity, operational performance, and available sources of finance in assessing whether the Group has sufficient financial resources to continue as a going concern. In order to improve the Group’s liquidity and cash flows and sustain its operations as a going concern, the Group has implemented or is in the process of implementing the following measures:

- (a) The Group continues to restructure the mix of manganese products processing, aiming to increase the proportion of high-margin products to achieve profitable operations and positive cash flows. Specifically, the Group is ramping up the mining and processing capacity of existing mines. Additionally, in response to the trend of commodity prices for manganese ore and non-manganese metals, the Group has adjusted the sales strategies of its trading operations in 2025.
- (b) The Group is implementing measures to tighten cost controls over administrative and other operating expenses, with the objective of improving its working capital and cash flow position, including closely monitoring daily operating expenditures.
- (c) The Group is actively following up with debtors to accelerate the collection of outstanding receivables.
- (d) Contract liabilities of HK\$231,127,000 represent non-financial liabilities that do not require immediate cash outflows and will be recognised as revenue in the subsequent year upon fulfilment of performance obligations.

- (e) The Group maintains strong, long-term relationship with its core banks, which provide continued support. To manage upcoming debt maturities, management is actively engaged in refinancing negotiations for borrowings due in the year ending 31 December 2026. Between 1 January 2026 and the date of authorisation of the consolidated financial statements of the Group, the Group has successfully renewed existing borrowings and obtained new bank borrowings totalling HK\$521,000,000, of which HK\$311,095,000 have maturity of over one year or beyond. Together with the availability of unutilised bank facilities, which are subject to final bank approval upon drawdown, the directors are of the opinion that the Group will be able to renew existing or secure new banking facilities, ensuing sufficient liquidity to support its operations throughout the year ending 31 December 2026.
- (f) Certain existing high-value assets, including leasehold land, investment properties, property, plant and equipment, and mining rights, can be offered as security for further financing, if necessary.
- (g) The directors of the Company have prepared a cash flow forecast for the Group, which covers a period of twelve months from the end of the reporting period. The forecast indicates that the Group is able to generate sufficient operating cash inflows to meet its current and future obligations.
- (h) The Group is actively exploring alternative financing options, including equity issuance and other forms of financing, to strengthen its financial position and reduce reliance on short-term borrowings.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to sustain its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2025 on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

Changes in accounting policies and disclosures

The Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21 and HKFRS 1 Lack of Exchangeability

There was no material impact to the consolidated financial statements as a result of the adoption of these standards.

2. OPERATING SEGMENT INFORMATION

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

(a) Manganese mining segment (PRC and Gabon)

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

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

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

(c) Battery materials production segment (PRC)

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

(d) Other business segment (PRC and HK)

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

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

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

Segment liabilities exclude bank loans, lease liabilities under sales and leaseback arrangements, deferred tax liabilities, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

	Manganese mining PRC HK\$'000	Gabon HK\$'000	EMM and alloying materials production PRC HK\$'000	Battery materials production PRC HK\$'000	Other business PRC and HK HK\$'000	Total HK\$'000
Year ended 31 December 2025						
Segment revenue (note 3)						
Sales to external customers	106,118	1,479,403	1,961,324	1,556,657	1,265,250	6,368,752
Intersegment sales	-	315,004	-	-	-	315,004
Other income and gains	(914)	754	45,154	20,287	38,977	104,258
	<u>105,204</u>	<u>1,795,161</u>	<u>2,006,478</u>	<u>1,576,944</u>	<u>1,304,227</u>	<u>6,788,014</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(315,004)</u>
Revenue from operations						<u>6,473,010</u>
Segment results	(29,834)	61,343	37,607	387,063	70,592	526,771
<i>Reconciliation:</i>						
Interest income						2,078
Corporate and other unallocated expenses						(154,401)
Finance costs (other than interest on lease liabilities)						<u>(139,060)</u>
Profit before tax						235,388
Income tax expense						<u>(91,851)</u>
Profit for the year						<u><u>143,537</u></u>
Assets and liabilities						
Segment assets	569,409	406,429	2,829,464	2,211,467	930,774	6,947,543
<i>Reconciliation:</i>						
Corporate and other unallocated assets						<u>2,148,697</u>
Total assets						<u><u>9,096,240</u></u>
Segment liabilities	380,816	351,444	1,185,000	335,379	350,841	2,603,480
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						<u>3,993,756</u>
Total liabilities						<u><u>6,597,236</u></u>
Other segment information:						
Depreciation and amortisation	10,820	23,923	196,227	138,660	3,528	373,158
Unallocated depreciation and amortisation						<u>26,694</u>
Total depreciation and amortisation						<u><u>399,852</u></u>
Capital expenditure [#]	21,136	6,276	196,204	185,070	-	408,686
Unallocated capital expenditure						<u>3,624</u>
Total capital expenditure						<u><u>412,310</u></u>
Impairment losses recognised/(reversed) in profit or loss	<u>(13)</u>	<u>(7,616)</u>	<u>33,044</u>	<u>3,090</u>	<u>65,043</u>	<u>93,548</u>
Losses/(gains) on disposal of items of property, plant and equipment	<u>348</u>	<u>-</u>	<u>25,791</u>	<u>6,369</u>	<u>(4,180)</u>	<u>28,328</u>
Investments in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,918</u>	<u>93,918</u>
Share of profits of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,745</u>	<u>23,745</u>

[#] Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and intangible assets.

	Manganese mining PRC HK\$'000	Gabon HK\$'000	EMM and alloying materials production PRC HK\$'000	Battery materials production PRC HK\$'000	Other business PRC and HK HK\$'000	Total HK\$'000
Year ended 31 December 2024						
Segment revenue (note 3)						
Sales to external customers	144,497	1,030,761	2,162,924	1,508,556	8,363,781	13,210,519
Intersegment sales	–	274,078	–	–	–	274,078
Other income and gains	3,341	41,252	60,090	27,331	5,202	137,216
	147,838	1,346,091	2,223,014	1,535,887	8,368,983	13,621,813
<i>Reconciliation:</i>						
Elimination of intersegment sales						(274,078)
Revenue from operations						13,347,735
Segment results	13,320	157,827	(393,691)	386,506	(669,185)	(505,223)
<i>Reconciliation:</i>						
Interest income						6,976
Corporate and other unallocated expenses						(134,949)
Finance costs (other than interest on lease liabilities)						(123,877)
Loss before tax						(757,073)
Income tax expense						(44,893)
Loss for the year						<u>(801,966)</u>
Assets and liabilities						
Segment assets	591,941	561,404	2,724,598	2,276,836	1,470,937	7,625,716
<i>Reconciliation:</i>						
Corporate and other unallocated assets						1,160,887
Total assets						<u>8,786,603</u>
Segment liabilities	389,741	420,146	668,233	334,611	719,971	2,532,702
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						4,276,714
Total liabilities						<u>6,809,416</u>
Other segment information:						
Depreciation and amortisation	12,079	37,115	223,937	137,646	5,781	416,558
Unallocated depreciation and amortisation						16,446
Total depreciation and amortisation						<u>433,004</u>
Capital expenditure [#]	73,891	28,194	228,383	210,499	1,511	542,478
Unallocated capital expenditure						51,454
Total capital expenditure						<u>593,932</u>
Impairment losses recognised/(reversed) in profit or loss	(13)	7,616	345,451	(4,841)	23,077	371,290
Losses on disposal of items of property, plant and equipment	434	–	6,879	1,240	910	9,463
Investments in associates	–	–	–	–	99,403	99,403
Share of losses of associates	–	–	–	–	(10,058)	(10,058)

[#] Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and intangible assets.

Geographical information

(a) Revenue from external customers

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Mainland China	5,742,998	12,523,377
Asia (excluding Mainland China)	567,585	644,141
Europe	51,767	37,337
North America	6,402	5,664
	<u>6,368,752</u>	<u>13,210,519</u>

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

(b) Non-current assets

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Mainland China	4,893,306	4,906,644
Africa	88,386	100,414
	<u>4,981,692</u>	<u>5,007,058</u>

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

Information about a major customer

The turnover from the Group's largest customer accounted for less than 10% of the Group's total turnover.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue from contracts with customers	<u>6,368,752</u>	<u>13,210,519</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

For the year ended 31 December 2025

Segments

	Manganese mining <i>HK\$'000</i>	EMM and alloying materials production <i>HK\$'000</i>	Battery materials production <i>HK\$'000</i>	Other business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Sale of goods	<u>1,585,521</u>	<u>1,961,324</u>	<u>1,556,657</u>	<u>1,265,250</u>	<u>6,368,752</u>
Geographical markets					
Mainland China	1,152,510	1,786,505	1,550,473	1,253,510	5,742,998
Asia (excluding Mainland China)	433,011	116,701	6,184	11,689	567,585
Europe	–	51,716	–	51	51,767
North America	–	6,402	–	–	6,402
Total revenue from contracts with customers	<u>1,585,521</u>	<u>1,961,324</u>	<u>1,556,657</u>	<u>1,265,250</u>	<u>6,368,752</u>
Timing of revenue recognition					
Goods transferred at a point in time with customers	<u>1,585,521</u>	<u>1,961,324</u>	<u>1,556,657</u>	<u>1,265,250</u>	<u>6,368,752</u>

For the year ended 31 December 2024

Segments

	Manganese mining <i>HK\$'000</i>	EMM and alloying materials production <i>HK\$'000</i>	Battery materials production <i>HK\$'000</i>	Other business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Sale of goods	<u>1,175,258</u>	<u>2,162,924</u>	<u>1,508,556</u>	<u>8,363,781</u>	<u>13,210,519</u>
Geographical markets					
Mainland China	631,486	2,044,471	1,499,622	8,347,798	12,523,377
Asia (excluding Mainland China)	543,772	81,073	8,699	10,597	644,141
Europe	–	31,716	235	5,386	37,337
North America	–	<u>5,664</u>	–	–	<u>5,664</u>
Total revenue from contracts with customers	<u>1,175,258</u>	<u>2,162,924</u>	<u>1,508,556</u>	<u>8,363,781</u>	<u>13,210,519</u>
Timing of revenue recognition					
Goods transferred at a point in time with customers	<u>1,175,258</u>	<u>2,162,924</u>	<u>1,508,556</u>	<u>8,363,781</u>	<u>13,210,519</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	<u>367,036</u>	<u>390,459</u>

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within one to three months from the invoice date, except for new customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2025	2024
	HK\$'000	HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	<u>231,127</u>	<u>367,036</u>

An analysis of other income and gains is as follows:

	2025	2024
	HK\$'000	HK\$'000
Bank and other interest income	2,078	6,976
Subsidy income*	40,174	34,515
Sale of scraps	30,615	33,629
Gross rental income for operating leases in relation to:		
Investment properties	12,586	14,002
Foreign exchange gains, net	–	4,193
Others	<u>20,883</u>	<u>50,877</u>
	<u>106,336</u>	<u>144,192</u>

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

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Interest on loans and other payables	124,626	96,585
Finance costs for discounted notes receivable	11,312	24,843
Interest on lease liabilities	16,423	20,949
Interest on discounted provision for rehabilitation	3,122	2,449
	<u>155,483</u>	<u>144,826</u>

5. PROFIT/(LOSS) BEFORE TAX

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Cost of inventories sold# ***	5,031,134	11,685,627
Depreciation of property, plant and equipment	373,584	396,065
Depreciation of right-of-use assets	19,078	35,469
Amortisation of intangible assets	7,190	1,470
Research and development costs	50,803	76,969
Losses on contractual compensation*	–	88,812
Lease payments not included in the measurement of lease liabilities	2,250	7,586
Auditor's remuneration	4,900	4,900
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	441,153	473,480
Pension scheme contributions	65,399	76,774
Other employee welfare	65,791	74,494
	<u>572,343</u>	<u>624,748</u>
Losses on disposal of items of property, plant and equipment**	28,328	9,463
Foreign exchange differences, net**	30,847	(4,193)
Share of (profits)/losses of associates	(23,745)	10,058
Provision for inventories, net#	33,642	34,376
Impairment losses on non-financial assets:		
Impairment of property, plant and equipment	11,316	5,692
Impairment of right-of-use assets	–	12,058
Impairment of investments in associates	31,628	–
	<u>42,944</u>	<u>17,750</u>

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Impairment losses on financial assets, net:		
(Reversal)/impairment of trade receivables, net	(3,748)	5,238
Impairment of financial assets included in prepayments, other receivables and other assets	48,991	27,304
Impairment of amounts due from associates	5,361	320,998
	<u>50,604</u>	<u>353,540</u>
Fair value losses on investment properties**	<u>4,069</u>	<u>4,393</u>

Included in “Cost of sales” in the consolidated statement of profit or loss and other comprehensive income.

* For the year ended 31 December 2024, losses totalling HK\$88,812,000 arising from fulfillment or non-performance of certain procurement contracts, which are included in “Other Expenses” in the consolidated statement of profit or loss and other comprehensive income. No such loss was incurred during the year ended 31 December 2025.

** HK\$Nil (2024: HK\$4,193,000) included in “Other income and gains” and HK\$63,244,000 (2024: HK\$13,856,000) included in “Other expenses” in the consolidated statement of profit or loss and other comprehensive income.

*** Cost of inventories sold included HK\$517,949,000 (2024: HK\$699,098,000) relating to depreciation, amortisation, lease charges and employee benefit, which are included in the amount disclosed separately above for each of these types of expenses.

6. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis and assessable based on tax rates prevailing in the jurisdictions in which members of the Group operate.

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Current – Charge for the year		
– PRC	73,781	56,956
– Hong Kong	825	4,006
– Gabon	62,220	24,590
Under/(over)-provision in prior years	11,024	(36,837)
Deferred	(55,999)	(3,822)
Total tax expense for the year	<u>91,851</u>	<u>44,893</u>

Hong Kong profits tax

Provision for Hong Kong profits tax for 2025 and 2024 is calculated at 16.5% of the estimated assessable profit for the year.

PRC corporate income tax (“CIT”)

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, South Manganese Group and Huiyuan Manganese are recognised as High and New Technology Enterprises and are entitled to a preferential CIT rate of 15% up to 2028 and 2026 respectively.

Other companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income unless it meets the conditions for other preferential tax treatments, such as the entitled Corporate Income Tax (CIT) rate of 5% for Small and Micro Enterprises.

Gabon CIT

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

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings/loss per share is based on the profit/loss for the year attributable to owners of the Company and the weighted average number of ordinary shares of 4,240,768,957 (2024: 3,428,459,000) in issue during the year.

No diluted earnings/loss per share has been presented as the Group had no potentially dilutive ordinary shares outstanding during the years ended 31 December 2025 and 2024.

The calculations of basic earnings/loss per share are based on:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Earnings/(loss)		
Earnings/(loss) attributable to owners of the Company, used in the basic earnings/loss per share calculation	<u>167,065</u>	<u>(725,070)</u>
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/loss per share calculation	<u>4,240,768,957</u>	<u>3,428,459,000</u>

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2025 (2024: HK\$Nil).

9. TRADE AND NOTES RECEIVABLES

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Trade receivables	666,887	847,879
Less: Impairment	<u>(266,781)</u>	<u>(269,719)</u>
	400,106	578,160
Notes receivable	<u>472,672</u>	<u>369,006</u>
	<u>872,778</u>	<u>947,166</u>

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Within one month	234,373	253,245
One to two months	77,138	149,377
Two to three months	24,827	80,613
Over three months	<u>63,768</u>	<u>94,925</u>
	<u>400,106</u>	<u>578,160</u>

10. TRADE AND NOTES PAYABLES

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Within one month	477,826	501,529
One to two months	67,355	118,681
Two to three months	64,130	1,288
Over three months	<u>673,278</u>	<u>586,402</u>
	<u>1,282,589</u>	<u>1,207,900</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue	<u>6,368,752</u>	<u>13,210,519</u>
Gross profit	1,066,413	406,365
Gross profit margin	<u>16.7%</u>	<u>3.1%</u>
Operating profit/(loss)	305,191	(375,725)
Impairment losses on non-financial assets	(42,944)	(17,750)
Impairment losses on financial assets, net	(50,604)	(353,540)
Share of profits and losses of associates	<u>23,745</u>	<u>(10,058)</u>
Profit/(loss) before tax	235,388	(757,073)
Income tax expense	<u>(91,851)</u>	<u>(44,893)</u>
Profit/(loss) for the year	<u>143,537</u>	<u>(801,966)</u>
Profit/(loss) for the year attributable to owners of the Company	167,065	(725,070)
Loss for the year attributable to non-controlling interests	<u>(23,528)</u>	<u>(76,896)</u>
	<u>143,537</u>	<u>(801,966)</u>

OVERVIEW

The global economy delivered modest growth in 2025, building on the tentative recovery observed in the prior year. In 2025, growth momentum continued, albeit unevenly across regions. The United States maintained steady expansion, underpinned by resilient consumer demand. The Eurozone remained subdued, with restrictive monetary policy weighing on activity. China's recovery stayed uneven, as protracted weakness in the property sector continued to dampen growth. Inflationary pressures moderated during the year, supported by stabilised energy prices, though geopolitical tensions persisted and supply chain disruptions remained an ongoing risk. While advanced economies demonstrated relative resilience, the overall pace of global recovery remained vulnerable to external shocks. Against this backdrop, the Group remained dedicated to strengthening management, cost control, operational efficiency and disciplined capital management to navigate the evolving macroeconomic environment.

The Group continued to focus on its core businesses in EMM and alloying materials production, battery materials production, manganese mining and trading business in 2025, with major products including EMM Products, EMD, and manganese ores and related products.

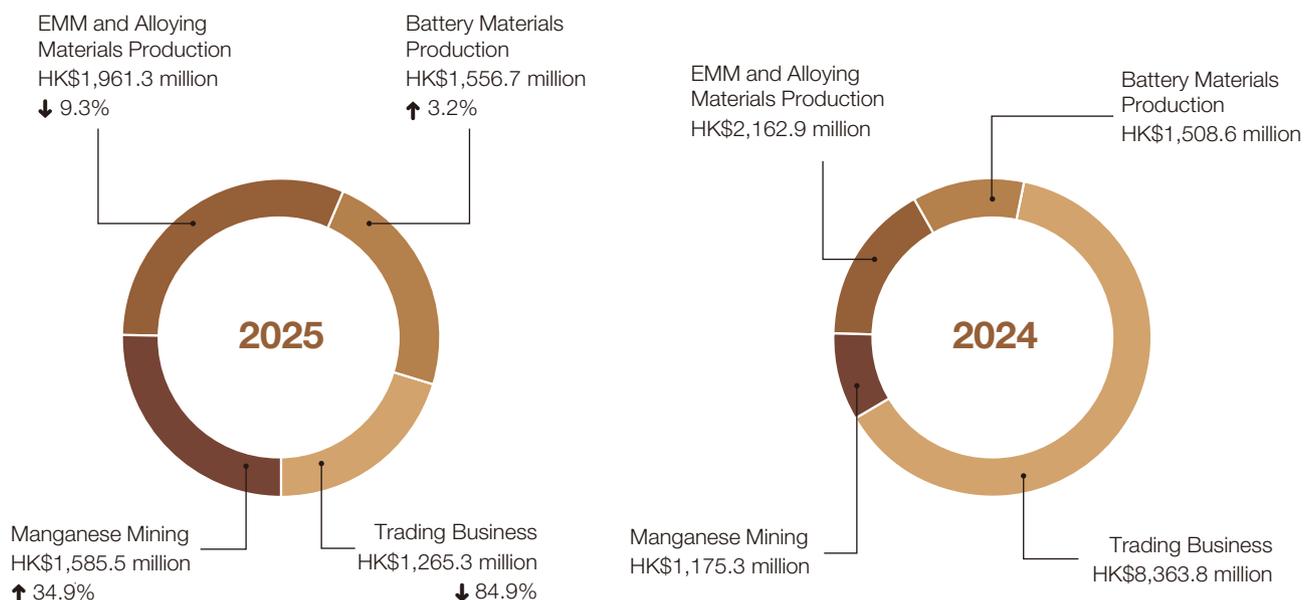
- Steel sector is our major downstream industry, with its demand for our EMM Products largely arising from consumptions within China. In 2025, China's economy still faced ongoing challenges with subdued domestic demand and stagnant property sector. However, demand for steel consumption has shown signs of stabilisation. Supported by stabilised consumption for steels and contracted market supply in the second half of 2025, average selling price of our EMM Products for 2025 increased by 6.5% to HK\$13,092 per tonne (2024: HK\$12,289 per tonne). Coupled with our comprehensive cost control across key areas such as production, procurement, material management, tendering and operations, gross profit margin of EMM Products improved to 16.0% for 2025 (2024: 8.2%) and the gross profit contribution of EMM Products increased to HK\$309.3 million for 2025 (2024: HK\$166.0 million).
- In 2025, our production of battery materials including EMD continued to achieve satisfying results with increased sales volume and relatively stable average selling price. In the meantime, the Group also continued to implement comprehensive cost control measures. In the long term, 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. For 2025, the average selling price of EMD was relatively stable at HK\$14,974 per tonne (2024: HK\$15,272 per tonne). Gross profit margin of EMD was maintained at 41.7% for 2025 (2024: 43.4%) and the gross profit contribution of EMD increased to HK\$524.3 million for 2025 (2024: HK\$486.1 million) which was driven by increase in sales volume.

- The Group recorded growth in revenue from manganese mining business which was driven by increase in sales volume and average selling price of Gabon manganese ores. However, as a result of higher domestic costs in Gabon, gross profit margin of manganese mining business for 2025 declined to 9.5% (2024: 17.3%) and the gross profit contribution of manganese mining business amounted to HK\$150.6 million for 2025 (2024: HK\$203.1 million).
- In 2025, the Group successfully achieved a turnaround of its trading business which was mainly attributable to the conscientious optimisation of trade product mix and adjustment of sales strategies during the year. As a result, despite the significant decrease in revenue from trading business, gross profit margin of trading business for 2025 turned around to 6.6% (2024: gross loss margin of 5.6%) and the gross profit contribution of trading business amounted to HK\$83.1 million for 2025 (2024: gross loss of HK\$465.3 million).

In summary, mainly due to the turnaround of trading business from gross loss for 2024 to gross profit for 2025, the Group’s operating profit for 2025 amounted to HK\$305.2 million (2024: loss of HK\$375.7 million). Earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) for 2025 turned around to HK\$788.6 million (2024: negative EBITDA of HK\$186.2 million) and the profit attributable to owners of the Company for 2025 was HK\$167.1 million (2024: loss of HK\$725.1 million). The significant loss for 2024 was also attributable to the impairment loss on amount due from Dushan Jimeng of HK\$321.0 million was recognised in 2024.

Comparison with 2024

Revenue by segment



For 2025, total revenue was HK\$6,368.8 million (2024: HK\$13,210.5 million), representing a decrease of 51.8% as compared with 2024. The decrease was mainly due to decrease in sales revenue from trading business. Meanwhile, the increases in revenue from manganese mining segment and battery materials production segment were partially offset by the decrease in revenue from EMM and alloying materials production segment.

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 (%)
Year 2025							
EMM	130,642	13,135	1,716,006	10,947	1,430,076	285,930	16.7
Manganese briquette	<u>17,380</u>	<u>12,768</u>	<u>221,905</u>	<u>11,424</u>	<u>198,542</u>	<u>23,363</u>	<u>10.5</u>
	148,022	13,092	1,937,911	11,003	1,628,618	309,293	16.0
Alloy Products	-	-	-	-	-	-	-
Others	<u>76,594</u>	<u>306</u>	<u>23,413</u>	<u>250</u>	<u>19,132</u>	<u>4,281</u>	<u>18.3</u>
Total	<u>224,616</u>	<u>8,732</u>	<u>1,961,324</u>	<u>7,336</u>	<u>1,647,750</u>	<u>313,574</u>	<u>16.0</u>
Year 2024							
EMM	157,832	12,296	1,940,744	11,269	1,778,545	162,199	8.4
Manganese briquette	<u>7,892</u>	<u>12,135</u>	<u>95,769</u>	<u>11,648</u>	<u>91,924</u>	<u>3,845</u>	<u>4.0</u>
	165,724	12,289	2,036,513	11,287	1,870,469	166,044	8.2
Alloy Products	13,805	6,971	96,240	6,583	90,884	5,356	5.6
Others	<u>65,021</u>	<u>464</u>	<u>30,171</u>	<u>294</u>	<u>19,137</u>	<u>11,034</u>	<u>36.6</u>
Total	<u>244,550</u>	<u>8,845</u>	<u>2,162,924</u>	<u>8,099</u>	<u>1,980,490</u>	<u>182,434</u>	<u>8.4</u>

Revenue of EMM and alloying materials production segment decreased by 9.3% to HK\$1,961.3 million for 2025 (2024: HK\$2,162.9 million) mainly attributable to the followings:

- (a) EMM Products continued to be one of our major products in terms of revenue. Due to decrease in overall market supply of EMM, average selling price of EMM Products increased by 6.5% to HK\$13,092 per tonne for 2025 (2024: HK\$12,289 per tonne), while sales volume of EMM Products decreased by 10.7% to 148,022 tonnes for 2025 (2024: 165,724 tonnes).
- (b) there was no revenue of Alloy Products for 2025 as production has been halted since 2024.

Despite the decrease in revenue from EMM and alloying materials production segment, the increase in average selling price of EMM Products, coupled with the Group's comprehensive cost control measures, overall gross profit of EMM and alloying materials production segment increased by 71.9% to HK\$313.6 million for 2025 (2024: HK\$182.4 million) and its overall gross profit margin increased to 16.0% for 2025 (2024: 8.4%). On the other hand, results of this segment for 2025 was affected by losses incurred by Tiandeng Branch due to suspension of part of its manganese mine operations in the absence of a valid mining right. As a result of the foregoing, The EMM and alloying materials product segment recorded a segment profit of HK\$37.6 million for 2025 (2024: loss of HK\$393.7 million). The significant segment loss for 2024 was mainly attributable to the impairment losses on financial assets of HK\$321.0 million recognised for the settlement of guarantee liability for a corporate guarantee provided by the Group in respect of banking facilities granted to Dushan Jinneng.

Battery materials production segment

	Sales Volume (tonnes)	Average Selling Price (HK\$/tonne)	Revenue (HK\$'000)	Unit Cost of Sales (HK\$/tonne)	Cost of Sales (HK\$'000)	Gross Profit/ (Loss) (HK\$'000)	Gross Profit/ (Loss) Margin (%)
Year 2025							
EMD	83,944	14,974	1,256,957	8,727	732,619	524,338	41.7
Manganese sulfate	49,014	3,055	149,738	3,180	155,885	(6,147)	(4.1)
Lithium manganese oxide	3,372	31,371	105,784	32,063	108,117	(2,333)	(2.2)
NCM	-	-	-	-	-	-	-
Trimanganese tetraoxide	3,623	12,194	44,178	11,306	40,961	3,217	7.3
Total	139,953	11,123	1,556,657	7,414	1,037,582	519,075	33.3
Year 2024							
EMD	73,407	15,272	1,121,037	8,650	634,960	486,077	43.4
Manganese sulfate	48,157	3,099	149,246	3,142	151,292	(2,046)	(1.4)
Lithium manganese oxide	6,510	34,731	226,100	34,404	223,971	2,129	0.9
NCM	0.7	62,857	44	75,714	53	(9)	(20.5)
Trimanganese tetraoxide	1,009	12,021	12,129	12,053	12,161	(32)	(0.3)
Total	129,084	11,687	1,508,556	7,921	1,022,437	486,119	32.2

For 2025, revenue of battery materials production segment remained stable at HK\$1,556.7 million (2024: HK\$1,508.6 million) mainly attributable to the followings:

- (a) EMD continued to be our major battery material product. Average selling price of EMD for 2025 remained stable at HK\$14,974 per tonne (2024: HK\$15,272 per tonne) and the sales volume of EMD for 2025 increased by 14.4% to 83,944 tonnes (2024: 73,407 tonnes), resulting in a mild increase in revenue from EMD.
- (b) For 2025, the average selling price of lithium manganese oxide decreased by 9.7% to HK\$31,371 per tonne (2024: HK\$34,731 per tonne) and sales volume decreased by 48.2% to 3,372 tonnes (2024: 6,510 tonnes), resulting in a decrease in revenue from lithium manganese oxide.

As a result of the above and the decrease in unit costs through comprehensive cost control on production, procurement, material management, tendering and operations, overall gross profit of battery materials production segment increased by 6.8% to HK\$519.1 million for 2025 (2024: HK\$486.1 million) and a slight increase in overall gross profit margin to 33.3% for 2025 (2024: 32.2%). The battery materials production segment recorded a relatively stable segment profit of HK\$387.1 million for 2025 (2024: HK\$386.5 million).

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 (%)
Year 2025							
Gabon ore	1,721,054	860	1,479,403	785	1,350,399	129,004	8.7
Manganese concentrate	246,092	345	84,904	325	79,954	4,950	5.8
Natural discharging manganese powder and sand	8,924	2,377	21,214	509	4,541	16,673	78.6
Total	1,976,070	802	1,585,521	726	1,434,894	150,627	9.5
Year 2024							
Gabon ore	1,330,646	775	1,030,761	647	861,151	169,610	16.5
Manganese concentrate	313,813	356	111,572	329	103,119	8,453	7.6
Natural discharging manganese powder and sand	14,780	2,228	32,925	535	7,913	25,012	76.0
Total	1,659,239	708	1,175,258	586	972,183	203,075	17.3

For 2025, revenue of manganese mining segment increased by 34.9% to HK\$1,585.5 million (2024: HK\$1,175.3 million) primarily due to (i) increase in sales volume of Gabon ore mainly attributable to the demands from downstream producers; (ii) increase in average selling price of Gabon ore in response to increase in unit costs as a result of the higher domestic costs in Gabon.

Due to the increase in unit costs of Gabon ore, gross profit of manganese mining segment decreased by 25.8% to HK\$150.6 million for 2025 (2024: HK\$203.1 million). During 2025, results of the Group's manganese mining segment was also affected by the foreign exchange loss incurred by the Group's operations in Gabon due to depreciation of USD during the year and the significant losses incurred by Zunyi Company due to weak demand for manganese ore in the Zunyi region and high staff costs. As a result of the above, the manganese mining segment recorded a segment profit of HK\$31.5 million for 2025 (2024: HK\$171.1 million), representing a decrease of 81.5%.

Other business segment

	Revenue	Cost of Sales	Gross Profit/(Loss)	Gross Profit/(Loss) Margin
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(%)</i>
Year 2025				
Trading	<u>1,265,250</u>	<u>1,182,113</u>	<u>83,137</u>	<u>6.6</u>
Year 2024				
Trading	<u>8,363,781</u>	<u>8,829,044</u>	<u>(465,263)</u>	<u>(5.6)</u>

Revenue of other business segment decreased to HK\$1,265.3 million for 2025 (2024: HK\$8,363.8 million), representing a decrease of 84.9%, whereas its gross profit margin turned around to 6.6% (2024: gross loss margin of 5.6%) with a gross profit amounted to HK\$83.1 million (2024: gross loss of HK\$465.3 million). These were primarily attributable to the Group's conscientious optimisation of trade product mix and adjustment of sales strategies for trading business in 2025.

Cost of Sales

Total cost of sales decreased by 58.6% to HK\$5,302.3 million in 2025 (2024: HK\$12,804.2 million) in line with the decrease of revenue.

Gross Profit

For 2025, the Group recorded a gross profit of HK\$1,066.4 million (2024: HK\$406.4 million), which represented an increase of HK\$660.0 million from 2024, or 162.4%. The Group's overall gross profit margin was 16.7%, representing an increase of 13.6 percentage points from 3.1% for 2024. The improvements in overall gross profit and gross profit margin were primarily driven by (i) the turnaround of trading business from gross loss for 2024 to gross profit for 2025; and (ii) the increase in gross profit and gross profit margin of EMM Products for 2025 as compared to 2024.

Other Income and Gains

Other income and gains amounted to HK\$106.3 million for 2025 (2024: HK\$144.2 million) which mainly represented subsidy income, income from sale of scraps, rental income and other miscellaneous income.

Selling and Distribution Expenses

Selling and distribution expenses for 2025 decreased by 46.0% to HK\$71.9 million (2024: HK\$133.0 million), which was generally in line with decrease in revenue.

Administrative Expenses

Administrative expenses remained stable at HK\$545.5 million for 2025 (2024: HK\$523.9 million).

Impairment Losses on Non-Financial Assets

Impairment losses on non-financial assets amounted to HK\$42.9 million for 2025 (2024: HK\$17.8 million) which mainly represented impairment of investments in associates and impairment losses on certain obsolete plant and machinery of the Group. The amount for 2025 included impairment of investments in associates of HK\$31.6 million to account for the operation uncertainty of such associates due to shareholders' disputes.

Impairment Losses on Financial Assets, Net

Impairment losses on financial assets, net, amounted to HK\$50.6 million for 2025 (2024: HK\$353.5 million) mainly in respect of other receivables due to non-performance and expiry of contract. The amount for 2024 mainly represented impairment allowance on amount due from our 33.00%-owned associate Dushan Jinneng of HK\$321.0 million arising from the settlement of guarantee liability for a corporate guarantee provided by the Group in respect of banking facilities granted to Dushan Jinneng.

Finance Costs

For 2025, finance costs were HK\$155.5 million (2024: HK\$144.8 million), representing an increase of 7.4% despite the decrease in the Group's total borrowings, which was mainly attributable to the recognition of a reversal of accrued interest amounted to HK\$60.4 million on social insurance contribution payables for 2024.

Other Expenses, Net

Other expenses, net, decreased to HK\$94.7 million for 2025 (2024: HK\$124.6 million) mainly because the Group recognised losses of HK\$88.8 million arising from disposal of goods by suppliers for non-performance of manganese ore procurement contracts during 2024.

Share of Profits and Losses of Associates

For 2025, share of profits of associates of HK\$23.7 million (2024: losses of HK\$10.1 million) mainly represents share of results of Qingdao Manganese.

Income Tax Expense

For 2025, effective tax rate was 39.0% (2024: -5.9%) which was higher than the applicable corporate income tax rate of China in which the Group mainly operates, primarily because certain subsidiaries recording losses in the year did not recognise deferred tax arising from such losses for prudence and there were certain expenses not deductible for tax purposes.

Profit/(Loss) Attributable to Owners of the Company

For 2025, profit attributable to owners of the Company was HK\$167.1 million (2024: loss of HK\$725.1 million).

Earnings/(Loss) per Share

For 2025, earnings per share attributable to owners of the Company was HK\$0.0394 (2024: loss per share of HK\$0.2115).

Final Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2025 (2024: HK\$Nil).

Liquidity and Financial Resources

Cash and bank balances

As at 31 December 2025, the currency denomination of the Group's cash and bank balances including pledged deposits and restricted deposits were as follows:

Currency Denomination	2025 <i>HK\$ million</i>	2024 <i>HK\$ million</i>
Denominated in:		
RMB	1,541.1	655.9
HKD	1.9	3.3
USD	120.2	48.9
XAF	33.5	4.4
EUR	4.9	0.1
	<u>1,701.6</u>	<u>712.6</u>

As at 31 December 2025, our cash and bank balances including pledged deposits and restricted deposits were HK\$1,701.6 million (2024:HK\$712.6 million) while the Group's borrowings amounted to HK\$3,645.6 million (2024: HK\$3,945.6 million). The Group's borrowings net of cash and bank balances as at 31 December 2025 amounted to HK\$1,944.0 million (2024: HK\$3,233.0 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

As at 31 December 2025, prepayments, other receivables and other assets classified under current assets decreased by 28.3% to HK\$761.9 million (2024: HK\$1,062.1 million). It was mainly attributable to decrease in purchase deposits for manganese ores.

Net current liabilities

As at 31 December 2025, the Group's net current liabilities decreased to HK\$1,439.9 million (2024: HK\$1,659.4 million). The decrease in net current liabilities was mainly attributable to the better operating results for 2025 and the improved liquidity position of the Group after completion of the placings of new Shares under general mandate on 2 May 2025 (“**First Placing**”) and 28 July 2025 (“**Second Placing**”).

Bank and other Borrowings

As at 31 December 2025, the Group's borrowing structure and maturity profile were as follows:

Borrowing structure	2025	2024
	<i>HK\$ million</i>	<i>HK\$ million</i>
Secured borrowings (including lease liabilities)	1,713.2	1,300.7
Unsecured borrowings	1,932.4	<u>2,644.9</u>
	<u>3,645.6</u>	<u>3,945.6</u>
Maturity profile	2025	2024
	<i>HK\$ million</i>	<i>HK\$ million</i>
Repayable:		
On demand or within one year	2,851.9	2,910.1
After one year and within two years	626.1	229.3
After two years and within five years	167.6	<u>806.2</u>
	<u>3,645.6</u>	<u>3,945.6</u>
Currency denomination	2025	2024
	<i>HK\$ million</i>	<i>HK\$ million</i>
Denominated in:		
RMB	3,644.2	3,944.1
USD	0.2	0.4
HK\$	1.2	<u>1.1</u>
	<u>3,645.6</u>	<u>3,945.6</u>

As at 31 December 2025, borrowings as to the amounts of HK\$3,645.6 million (2024: HK\$3,719.1 million) and HK\$Nil (2024: HK\$226.5 million), carried fixed and floating rate interest respectively. The fixed rate borrowings carried interest at rates ranging from 0.96% to 8.25%. The floating rate borrowings as at 31 December 2024 comprised RMB denominated loans carrying interest at a premium up to 45 basis points above the China Loan Prime Rate.

Overall, aggregate borrowings decreased to HK\$3,645.6 million as at 31 December 2025 (2024: HK\$3,945.6 million). The Group is continuing to explore various means including short-term or medium-term notes to improve borrowing structure in terms of interest rate level and repayment terms.

The Group will also continue to implement the debt reduction proposal approved by the shareholders of the Company at the special general meeting held on 9 July 2025, under which both total borrowings and net gearing ratio of the Group as at 31 December 2025 decreased as compared to those at 31 December 2024.

Charge on group assets

As at 31 December 2025, (a) right-of-use assets of HK\$1.5 million (2024: HK\$1.5 million) related to property, plant and equipment were held under leases; (b) bank balances of HK\$858.7 million (2024: HK\$282.4 million) were pledged to secure certain of the Group's bank acceptance notes payable and bank borrowings; (c) property, plant and equipment and leasehold lands of HK\$1,055.7 million (2024: HK\$824.2 million) and no trade receivables (2024: HK\$44.1 million) were pledged to secure certain of the Group's bank and other borrowings; and (d) bank balances of HK\$35.8 million (2024: HK\$27.8 million) were restricted to secure certain potential claims from disputes with customers.

Key Financial Ratios of the Group

	2025	2024
Current ratio	0.74	0.69
Quick ratio	0.61	0.51
Net gearing ratio	66.6%	136.9%

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

Quick ratio = (balance of current assets at the end of the year — balance of inventories at the end of the year)/balance of current liabilities at the end of the year

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

As at 31 December 2025, current ratio, quick ratio and net gearing ratio of the Group improved as compared to those as at 31 December 2024, mainly as a result of the better operating results for 2025 and the improved liquidity position of the Group after completion of the First Placing and the Second Placing in 2025.

Use of Proceeds

(a) Use of Proceeds from IPO

Up to 31 December 2025, we utilised the net proceeds raised from the IPO in accordance with the designated uses set out in the Prospectus as follows:

Description	Amount designated in Prospectus	Amount utilised up to 31.12.2025	% utilised	Amount utilised up to 31.12.2024	% utilised
	(HK\$ Million)	(HK\$ Million)		(HK\$ Million)	
1 Expansion project at Daxin EMD Plant	79	79	100	79	100.0
2 Expansion project of underground mining and ore processing at Daxin Mine	278	278	100	278	100.0
3 Expansion and construction projects of our EMM production facilities	516	516	100	516	100.0
4 Construction project at Chongzuo Base	59	59	100	59	100.0
5 Development of Bembélé Manganese Mine and associated facilities	119	119	100	119	100.0
6 Technological improvement and renovation projects at our production facilities	40	40	100	40	100.0
7 Acquisition of mines and mining rights	397	336	84.6	322	81.1

Description	Amount designated in Prospectus	Amount utilised up to 31.12.2025	% utilised	Amount utilised up to 31.12.2024	% utilised
	(HK\$ Million)	(HK\$ Million)		(HK\$ Million)	
8 Repayment on a portion of our bank borrowings	297	297	100	297	100.0
9 Working capital and other corporate purposes	<u>198</u>	<u>198</u>	<u>100</u>	<u>198</u>	<u>100.0</u>
Total	<u>1,983</u>	<u>1,922</u>	<u>96.9</u>	<u>1,908</u>	<u>96.2</u>

As at 31 December 2025, proceeds from IPO designated for acquisition of mines and mining rights to the extent of HK\$61 million was not yet utilised. According to the Prospectus, the proceeds shall be used for the acquisition of mines, mining rights in relation to mines with identified mining resources or related production facilities. During 2025, HK\$13.7 million was utilised and paid to the PRC government to extend the mining right of Changgou Manganese Mine, Daxin Mine and Tiandeng Mine. The unutilised proportion of IPO proceeds of HK\$61 million is expected to be fully utilised on or before the year ending 31 December 2032. The unutilised portion of IPO proceeds continues to be maintained in deposits with licensed banks.

(b) Use of Proceeds from the First Placing

On 2 May 2025, an aggregate of 685,691,800 new Shares was issued at a price of HK\$0.21 per Share to one placee, Mr. Cheung Ming, pursuant to the placing agreement (the “**First Placing Agreement**”) dated 11 April 2025, representing approximately 16.67% of the enlarged issued share capital of the Company immediately following the First Placing. The aggregate nominal value of the 685,691,800 new Shares was HK\$68,569,180. The placing price of HK\$0.21 per Share represented (i) a discount of approximately 13.58% to the closing price of HK\$0.243 per Share as quoted on the Stock Exchange on 11 April 2025, being the date of the First Placing Agreement; and (ii) a discount of approximately 18.79% to the average closing price of HK\$0.2586 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the First Placing Agreement. The net price per share for the subscription after deducting related costs and expenses is approximately HK\$0.2056 per Share and the net proceeds raised from the First Placing were approximately HK\$140.97 million. Up to 31 December 2025, the net proceeds from the First Placing were fully utilised in accordance with the designated uses set out in the announcement of the Company dated 11 April 2025.

(c) Use of Proceeds from the Second Placing

On 28 July 2025, an aggregate of 822,830,160 new Shares was issued at a price of HK\$0.224 per Share to one placee, Honor Aim Limited, pursuant to the placing agreement (the “**Second Placing Agreement**”) dated 8 July 2025, representing approximately 16.67% of the enlarged issued share capital of the Company immediately following the Second Placing. The aggregate nominal value of the 822,830,160 new Shares was HK\$82,283,016. The placing price of HK\$0.224 per Share represented (i) a discount of approximately 18.55% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on 8 July 2025, being the date of the Second Placing Agreement; and (ii) a discount of approximately 19.13% to the average closing price of HK\$0.277 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the Second Placing Agreement. The net price per share for the subscription after deducting related costs and expenses is approximately HK\$0.2193 per Share and the net proceeds raised from the Second Placing were approximately HK\$180.44 million. Up to 31 December 2025, the net proceeds from the Second Placing were fully utilised in accordance with the designated uses set out in the announcements of the Company dated 8 July 2025 and 15 July 2025.

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.

As at 31 December 2025, the Group had net current liabilities of HK\$1,439.9 million (2024: HK\$1,659.4 million), out of which HK\$2,851.9 million represented bank and other borrowings repayable within one year.

The Directors have carefully considered the Group's future liquidity, operational performance, and available sources of finance in assessing whether the Group has sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows and sustain its operations as a going concern, the Group has implemented or is in the process of implementing the following measures:

- (a) The Group continues to restructure the mix of manganese products processing, aiming to increase the proportion of high-margin products to achieve profitable operations and positive cash flows. Specifically, the Group is ramping up the mining and processing capacity of existing mines. Additionally, in response to the trend of commodity prices for manganese ore and non-manganese metals, the Group has adjusted the sales strategies of its trading operations in 2025.
- (b) The Group is implementing measures to tighten cost controls over administrative and other operating expenses, with the objective of improving its working capital and cash flow position, including closely monitoring daily operating expenditures.
- (c) The Group is actively following up with debtors to accelerate the collection of outstanding receivables.
- (d) Contract liabilities of HK\$231.1 million represent non-financial liabilities that do not require immediate cash outflows and will be recognised as revenue in the subsequent year upon fulfilment of performance obligations.
- (e) The Group maintains strong, long-term relationship with its core banks, which provide continued support. To manage upcoming debt maturities, management is actively engaged in refinancing negotiations for borrowings due in the year ending 31 December 2026. Between 1 January 2026 and the date of authorisation of the consolidated financial statements of the Group, the Group has successfully renewed existing borrowings and obtained new bank borrowings totalling HK\$521.0 million, of which HK\$311.1 million have maturity of over one year or beyond. Together with the availability of unutilised bank facilities, which are subject to final bank approval upon drawdown, the directors are of the opinion that the Group will be able to renew existing or secure new banking facilities, ensuing sufficient liquidity to support its operations throughout the year ending 31 December 2026.
- (f) Certain existing high-value assets, including leasehold land, investment properties, property, plant and equipment, and mining rights, can be offered as security for further financing, if necessary.
- (g) The Directors have prepared a cash flow forecast for the Group, which covers a period of twelve months from the end of the reporting period. The forecast indicates that the Group is able to generate sufficient operating cash inflows to meet its current and future obligations.

- (h) The Group is actively exploring alternative financing options, including equity issuance and other forms of financing, to strengthen its financial position and reduce reliance on short-term borrowings.

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to sustain its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2025 on a going concern basis.

Credit risk

The Group endeavoured to maintain strict control over its outstanding receivables to minimise credit risk. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment is required either in advance or upon delivery. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one to three months from the invoice date and cash realisation may be further extended by three to six months for those customers paying by bank acceptance notes. Overdue balances are regularly reviewed by senior management. Since the Group's trade and notes receivables related to a large number of diversified customers, there was no significant concentration of credit risk save for a customer described below. The Group normally did not hold any collateral or other credit enhancements over its trade and notes receivable balances.

As at 31 December 2025, 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. As at 31 December 2025, trade receivables due from Customer A was HK\$232.0 million (31 December 2024: HK\$232.0 million) and represented 34.8% (31 December 2024: 27.4%) of the Group's total trade receivables, which was totally overdue and fully provided as at 31 December 2025 and 31 December 2024. The Group continues to negotiate a repayment schedule with Customer A and will take further legal actions when necessary to speed up the collections of the debts.

As at 31 December 2025, the fully impaired amount due from Dushan Jinqing of HK\$324.2 million (2024: HK\$316.2 million) was arising from the settlement of guarantee liability in 2024 for a corporate guarantee provided by the Group on banking facilities granted to Dushan Jinqing since 2015. Dushan Jinqing's leasehold land and certain of its property, plant and equipment was pledged to the Group to secure the repayment and this right over charge will be exercisable if Dushan Jinqing does not repay the amount on or before 19 May 2027.

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, the PRC and Gabon. Foreign exchange risks for operations in each location are set out below.

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

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

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

Business Model and Strategy

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

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

Future Development and Outlook

In 2025, geopolitical tensions and the reciprocal tariffs imposed by the United States disrupted capital markets and weighed on global economic activity. Although the impacts have gradually eased, the uncertainties cannot be easily shaken off. Looking ahead, despite persistent global uncertainties, our major market, China, is poised to outperform the rest of the world. It has proliferated broad-based economic stimulus policies, aimed at spurring domestic consumption, are likely to accelerate demand for high-purity manganese products such as EMM and EMD. We will continue to monitor these developments closely and adjust our strategies in line with evolving market conditions. With our refined management, disciplined production process and strong customer and supplier relationships, we are well positioned to navigate in year ahead and pursue opportunities that support sustainable, long-term value creation.

OTHER INFORMATION

Annual General Meeting

The annual general meeting of the Company is tentatively scheduled to be held on 5 June 2026 (“**2025 AGM**”). Notice of the 2025 AGM will be published and issued to shareholders in due course.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Audit Committee

In compliance with the Listing Rules, the Audit Committee comprising five independent non-executive Directors and one non-executive Director has reviewed the accounting policies adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the consolidated results of the Group for the year ended 31 December 2025.

Financial Information

The financial information set out in this announcement does not constitute the Group’s audited accounts for the year ended 31 December 2025, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee and approved by the Board.

Scope of auditor’s work on annual results announcement

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Group’s auditors, RSM Hong Kong, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on the preliminary announcement.

Corporate Governance

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

The Board is of the view that the Company has, for the year ended 31 December 2025, applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the rules of no less stringent than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Securities Dealings Code**”) as its code of conduct for dealings in securities of the Company by the Directors.

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

Publication of Final Results and Annual Report on the Stock Exchange

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

Our Appreciation

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

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

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

GLOSSARY OF TERMS

Alloy Products	silicomanganese alloy and ferromanganese
Audit Committee	audit committee of the Board
Bembélé Manganese Mine	a manganese mine located in Bembélé, Moyen-Ogooue Province, Gabon, the exploration rights and mining rights of which are owned by Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) (華州礦業 (加蓬) 工貿有限公司), a company in which we indirectly hold 51% equity interest
Board or Board of Directors	our board of directors
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 Company Limited Changgou Manganese Mine)
China or PRC	the People's Republic of China, but for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
Chongzuo Base	a production facility owned and operated by Chongzuo Branch that produces and sells trimanganese tetraoxide, lithium manganese oxide and lithium cobalt oxide

Company or our Company	South Manganese Investment Limited, which is listed on the Stock Exchange (Stock Code: 1091.HK)
Daxin EMD Plant	an EMD production plant located in Daxin county, Guangxi, owned and operated by a wholly owned subsidiary of the Group
Daxin Mine	大新大錳錳業集團有限公司大新錳礦(Daxin Dameng Manganese Co., Ltd Daxin Manganese Mine)
Director(s)	the director(s) of our Company
Dushan Jinmeng	獨山金孟錳業有限公司(Dushan Jinmeng Manganese Industry Co., Ltd.)
EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
EMM Products	EMM and manganese briquette
EUR or Euro	euros, the lawful currency of the members of the European Union
Gabon	the Gabonese Republic
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC
HK\$ or HKD	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Huiyuan Manganese	廣西滙元錳業有限公司 (Guangxi Huiyuan Manganese Industry Co., Ltd)

IPO	the initial public offering and listing of Shares of the Company on the main board of the Stock Exchange on 18 November 2010
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
NCM	Lithium Nickel Cobalt Manganese Oxide
Prospectus	the prospectus of the Company dated 8 November 2010
Qingdao Manganese	青島錳系投資合夥企業(有限合夥)(Qingdao Manganese Investment Cooperative Enterprise (Limited Partnership)), a limited partnership in which we indirectly hold 68.49% equity interest as at 31 December 2025
RMB	Renminbi, the lawful currency of the PRC
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
Tiandeng Branch	南方錳業集團有限責任公司天等錳礦分公司 (South Manganese Group Limited Tiandeng Manganese Mine Branch)
tonne	metric tonne
US\$ or USD	United States dollars, the lawful currency of the United States of America
XAF	Central African CFA franc, the lawful currency of Gabon

Zunyi Company

貴州遵義匯興鐵合金有限責任公司(Guizhou Zunyi Hui Xing
Ferroalloy Company Limited)

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

By Order of the Board
SOUTH MANGANESE INVESTMENT LIMITED
Zhang He
Chairman

Hong Kong, 13 March 2026

As at the date of this announcement, the executive Directors are Mr. Zhang He, Mr. Xu Xiang, Mr. Liu Yang, Mr. Pan Shenghai, Ms. Cui Ling, Mr. An Wei, Mr. Zhan Haiqing, Mr. Ming Xianquan and Mr. Wan Weihua; the non-executive Director is Mr. Huang Chuangxin; and the independent non-executive Directors are Mr. Yuan Mingliang, Mr. Lo Sze Hung, Mr. Zhou Jie, Mr. Luo Guihua and Mr. Wu Qi.