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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)**

- (1) CONTINUING CONNECTED TRANSACTIONS AND REVISION OF ANNUAL CAPS WITH GUANGXI DAMENG AND ITS SUBSIDIARIES;  
(2) NEW CONTINUING CONNECTED TRANSACTIONS WITH GUANGXI GREMI AND ITS SUBSIDIARIES**

**(1) CONTINUING CONNECTED TRANSACTIONS AND REVISION OF ANNUAL CAPS WITH GUANGXI DAMENG AND ITS SUBSIDIARIES**

**(i) 2022 Guangxi Dameng EMM Agreement**

On 21 January 2022, the Company entered into the 2022 Guangxi Dameng EMM Agreement with Guangxi Dameng. Pursuant to the 2022 Guangxi Dameng EMM Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase and Guangxi Dameng (for itself and on behalf of its subsidiaries) agreed to sell EMM for the period from 21 January 2022 to 31 December 2024.

**(ii) Revision of annual caps under 2021 Guangxi Dameng Ore Agreement**

Reference is made to the announcement of the Company dated 31 December 2020 in respect of the 2021 Guangxi Dameng Ore Agreement. On 21 January 2022, the Company (for itself and on behalf of its subsidiaries) entered into 2022 Guangxi Dameng Ore Agreement with Guangxi Dameng to revise the annual caps under the 2021 Guangxi Dameng Ore Agreement. Pursuant to 2022 Guangxi Dameng Ore Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase and Guangxi Dameng (for itself and on behalf of its subsidiaries) agreed to sell High Grade Manganese Ore for the period from 21 January 2022 to 31 December 2024.

## **LISTING RULES IMPLICATIONS**

Guinan Dameng holds 22.64% equity interest in the Company. Since Guinan Dameng is wholly owned by Guangxi Dameng through its subsidiary, Guangxi Dameng is a connected person of the Company. The transactions contemplated under the 2022 Guangxi Dameng Agreements constitute continuing connected transactions of the Company.

As the highest applicable Percentage Ratio calculated with reference to 2022 Guangxi Dameng Caps under 2022 Guangxi Dameng Agreements on an aggregate basis for each of the three years ending 31 December 2024 is more than 0.1% but less than 5.0%, the transactions contemplated under the 2022 Guangxi Dameng Agreements are therefore subject to announcement, reporting and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **(2) NEW CONTINUING CONNECTED TRANSACTIONS WITH GUANGXI GREMI AND ITS SUBSIDIARIES**

On 21 January 2022, the Company entered into the 2022 Guangxi Gremi Negative Plates Agreement with Guangxi Gremi. Pursuant to the 2022 Guangxi Gremi Negative Plates Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase and Guangxi Gremi (for itself and on behalf of its subsidiaries) agreed to sell negative plates for the period from 21 January 2022 to 31 December 2024.

## **LISTING RULES IMPLICATIONS**

Guangxi Gremi is an indirect wholly owned subsidiary of Guangxi Railway Investment Group, which is the holding company of Guangxi Dameng, a connected person of the Company. Therefore, Guangxi Gremi is a connected person of the Company. The transactions contemplated under the 2022 Guangxi Gremi Negative Plates Agreement constitute continuing connected transactions of the Company.

As the highest applicable Percentage Ratio calculated with reference to 2022 Guangxi Gremi Caps under 2022 Guangxi Gremi Negative Plates Agreement on an aggregate basis for each of the three years ending 31 December 2024 is more than 0.1% but less than 5.0%, the transactions contemplated under the 2022 Guangxi Gremi Negative Plates Agreement are therefore subject to announcement, reporting and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **(1) CONTINUING CONNECTED TRANSACTIONS AND REVISION OF ANNUAL CAPS WITH GUANGXI DAMENG AND ITS SUBSIDIARIES**

### **(i) 2022 Guangxi Dameng EMM Agreement**

On 21 January 2022, the Company entered into the 2022 Guangxi Dameng EMM Agreement with Guangxi Dameng. Pursuant to the 2022 Guangxi Dameng EMM Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase and Guangxi Dameng (for itself and on behalf of its subsidiaries) agreed to sell EMM for the period from 21 January 2022 to 31 December 2024. The details of principal terms of 2022 Guangxi Dameng EMM Agreement are set out as follows:

- Date:** 21 January 2022
- Parties:** (i) the Company (and/or its subsidiaries) (as the purchaser); and  
(ii) Guangxi Dameng (and/or its subsidiaries) (as the seller)
- Subject:** Pursuant to 2022 Guangxi Dameng EMM Agreement, the Company (and/or its subsidiaries) agreed to purchase and Guangxi Dameng (and/or its subsidiaries) agreed to sell the EMM
- Pricing Policy:** Prior to entering into any transactions pursuant to the 2022 Guangxi Dameng EMM Agreement, the Company (and/or its subsidiaries) will negotiate with Guangxi Dameng (and/or its subsidiaries) on arms' length basis and obtain relevant market price information through the following channels, so as to ensure that the terms of any offer for the transactions contemplated under the 2022 Guangxi Dameng EMM Agreement are fair and reasonable and no less favorable than the terms offered to the Company (and/or its subsidiaries) from Independent Third Parties and such transactions are on normal commercial terms:
- (i) considering not less than three comparable transactions conducted by Independent Third Parties during the same period on such EMM;
  - (ii) communication and exchange of price information with not less than three independent suppliers by various means, including telephone conversations, emails and meetings, with peers and business partners within the same industry; and

- (iii) online information obtained from various websites including 全球鐵合金網(<http://www.qqthj.com/>), CBC 金屬網 (<http://www.cbcie.com/>) and 中國鐵合金在線網 (<http://www.cnfeol.com/>), etc. (if applicable).

**Payment term:** The Company (and/or its subsidiaries) shall make advance payment to Guangxi Dameng (and/or its subsidiaries) by way of bank acceptance note with maturity of not more than one year and/or online banking remittance before goods delivery. Final settlement will be based on the inspection certificate and inspection results with value added tax invoices issued by Guangxi Dameng (and/or its subsidiaries). The payment term shall be no less favorable than those offered to the Company by an Independent Third Party for the same or similar products.

**Term:** For the period from 21 January 2022 to 31 December 2024

#### **(ii) Revision of annual caps under 2021 Guangxi Dameng Ore Agreement**

Reference is made to the announcement of the Company dated 31 December 2020 in respect of the 2021 Guangxi Dameng Ore Agreement. The Company, as part of internal control procedures, regularly keeps reviewing the existing annual caps and updated accumulated transactions of various continuing connected transactions including particularly those under 2021 Guangxi Dameng Ore Agreement for the three years ending 31 December 2023. Based on the significant increase of historical transactions under 2021 Guangxi Dameng Ore Agreement for the year ended 31 December 2021 notwithstanding the national electricity constraint policy and the expected increase of production volume and/or trading volume of ferroalloy of the Group for the three years ending 31 December 2024, on 21 January 2022, the Company (for itself and on behalf of its subsidiaries) entered into 2022 Guangxi Dameng Ore Agreement with Guangxi Dameng to revise the annual caps under the 2021 Guangxi Dameng Ore Agreement. Pursuant to 2022 Guangxi Dameng Ore Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase and Guangxi Dameng (for itself and on behalf of its subsidiaries) agreed to sell High Grade Manganese Ore for the period from 21 January 2022 to 31 December 2024.

#### **ANNUAL CAPS AND HISTORICAL AMOUNTS OF THE CONTINUING CONNECTED TRANSACTIONS BETWEEN THE GROUP AND GUANGXI DAMENG AND/OR ITS SUBSIDIARIES FOR THE YEARS FROM 2019 TO 2021**

Set out below are the annual caps and historical amounts for the years 2019 to 2021 in relation to the continuing connected transactions between the Group and Guangxi Dameng and/or its subsidiaries:

	For the year ended 31 December 2019		For the year ended 31 December 2020		For the year ended 31 December 2021	
	Annual Caps	Historical Amounts	Annual Caps	Historical Amounts	Annual Caps	Historical Amounts
<b>2018 Guangxi Dameng EMM Agreement</b>						
Purchase of EMM from Guangxi Dameng (and/or its subsidiaries)	HK\$257,250,000 (equivalent to RMB205,800,000)	Nil (Note 1)	HK\$351,146,000 (equivalent to RMB280,917,000)	Nil (Note 1)	N/A	N/A
<b>2018 Guangxi Dameng Raw Materials Agreement</b>						
Sale of Raw Materials to Guangxi Dameng (and/or its subsidiaries)						
(1) low grade manganese ore	HK\$18,900,000 (equivalent to RMB15,120,000)	HK\$7,294,000 (equivalent to RMB6,436,000)	HK\$19,845,000 (equivalent to RMB15,876,000)	Nil (Note 2)	N/A	N/A
(2) sulfuric acid	HK\$27,563,000 (equivalent to RMB22,050,000)	Nil (Note 2)	HK\$28,941,000 (equivalent to RMB23,153,000)	Nil (Note 2)	N/A	N/A
(3) selenium dioxide	HK\$9,975,000 (equivalent to RMB7,980,000)	Nil (Note 2)	HK\$10,474,000 (equivalent to RMB8,379,000)	Nil (Note 2)	N/A	N/A
<b>2018 Integrated Services Framework Agreement</b>						
(1) Provision of Integrated Services by Guangxi Dameng	HK\$4,075,000 (equivalent to RMB3,260,000)	Nil (Note 3)	HK\$4,075,000 (equivalent to RMB3,260,000)	Nil (Note 3)	HK\$4,075,000 (equivalent to RMB3,260,000)	Nil (Note 3)

	For the year ended 31 December 2019		For the year ended 31 December 2020		For the year ended 31 December 2021	
	Annual Caps	Historical Amounts	Annual Caps	Historical Amounts	Annual Caps	Historical Amounts
(2) Provision of mining drawing services by Guangxi Dameng	HK\$875,000 (equivalent to RMB700,000)	Nil (Note 3)	HK\$875,000 (equivalent to RMB700,000)	Nil (Note 3)	HK\$875,000 (equivalent to RMB700,000)	Nil (Note 3)
<b>2018 Guangxi Liuzhou Agreement</b>						
Purchase of vertical mill(s) and related accessories from Guangxi Liuzhou	HK\$32,500,000 (equivalent to RMB26,000,000)	HK\$7,038,000 (equivalent to RMB6,210,000)	Nil	Nil	Nil	Nil
<b>2018 Nanning Battery Plant Agreement</b>						
Purchase of packaging bags from Nanning Battery Plant	HK\$6,275,000 (equivalent to RMB5,020,000)	HK\$3,163,000 (equivalent to RMB2,791,000)	HK\$6,275,000 (equivalent to RMB5,020,000)	HK\$3,564,000 (equivalent to RMB3,170,000)	HK\$6,275,000 (equivalent to RMB5,020,000)	HK\$866,000 (equivalent to RMB722,000)
<b>2018 Guangxi Dameng Ore Agreement and 2021 Guangxi Dameng Ore Agreement</b>						
Purchase of High Grade Manganese Ore from Guangxi Dameng (and/or its subsidiaries)	HK\$330,750,000 (equivalent to RMB264,600,000)	HK\$3,765,000 (equivalent to RMB3,322,000)	HK\$396,900,000 (equivalent to RMB317,520,000)	HK\$42,300,000 (equivalent to RMB37,627,000)	HK\$59,000,000 (equivalent to RMB50,000,000)	HK\$56,604,000 (equivalent to RMB47,170,000)

(Note 1: As mentioned in circular of the Company dated 29 June 2018, purchasing EMM from Guangxi Dameng could supplement the customers demand of the Group from time to time. For the period from 31 December 2018 to early 2021, market demand for EMM remained weak and the selling price of EMM remained sluggish. The EMM production of the Group was sufficient to meet the demand of our customers. Therefore, the Group did not purchase EMM from Guangxi Dameng and/or its subsidiaries for the said period.)

*(Note 2: Having considered the challenging environment with fierce competitions within the manganese and alloy sectors during the period from 2018 to 2020, the Group carried on its business on a cautious approach and did not commence trading of Raw Materials on a large scale as originally scheduled and therefore did not have transactions with Guangxi Dameng and/or its subsidiaries on Raw Materials during the said periods.)*

*(Note 3: Since Guangxi Dameng ceased to provide Integrated Services and mining drawing services at Daxin Mine since year 2019, therefore the Group did not have transactions with Guangxi Dameng during the relevant years.)*

## THE 2022 GUANGXI DAMENG CAPS

The 2022 Guangxi Dameng Caps in respect of the 2022 Guangxi Dameng Agreements are set out as follows:

	The 2022 Guangxi Dameng Caps		
	From 21 January 2022 to 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
<b>2022 Guangxi Dameng EMM Agreement</b>			
Purchase of EMM from Guangxi Dameng (and/or its subsidiaries)	RMB30,000,000 (equivalent to HK\$36,000,000)	RMB30,000,000 (equivalent to HK\$36,000,000)	RMB30,000,000 (equivalent to HK\$36,000,000)
<b>2022 Guangxi Dameng Ore Agreement</b>			
Purchase of High Grade Manganese Ore from Guangxi Dameng (and/or its subsidiaries)	RMB92,400,000 (equivalent to HK\$110,880,000)	RMB100,000,000 (equivalent to HK\$120,000,000)	RMB100,000,000 (equivalent to HK\$120,000,000)

The proposed annual caps in respect of the purchase of EMM from Guangxi Dameng (and/or its subsidiaries) are determined with reference to, inter alia (i) the projected volume of purchase of EMM by the Group under 2022 Guangxi Dameng EMM Agreement taking into account the operations of the Group and the potential market conditions of our products for business growth and development for the corresponding period; and (ii) estimated average ex-tax unit price of EMM of approximately RMB30,000 (approximately HK\$36,000) per metric tonne during the period from 21 January 2022 to 31 December 2024.

The proposed annual caps in respect of the purchase of the High Grade Manganese Ore from Guangxi Dameng (and/or its subsidiaries) are determined with reference to, inter alia (i) the projected volume of purchase of High Grade Manganese Ore by the Group under 2022 Guangxi Dameng Ore Agreement taking into account the operations of the Group and the potential market conditions of our products for business growth and development for the corresponding period; and (ii) estimated average ex-tax unit price of High Grade Manganese Ore of approximately RMB1,050 (approximately HK\$1,260) per metric tonne during the period from 21 January 2022 to 31 December 2024.

## REASONS FOR AND BENEFITS OF ENTERING INTO 2022 GUANGXI DAMENG AGREEMENTS

The Group has established long term good cooperation and working relationship with Guangxi Dameng and its subsidiaries. Guangxi Dameng's subsidiaries have proven to be reliable



suppliers to the Group in the provision of raw materials at competitive prices which are beneficial to the continuing operations and business of the Group.

### **2022 Guangxi Dameng EMM Agreement**

Guangxi Dameng together with its subsidiaries is also one of the leading EMM producers in Guangxi, the PRC which produces EMM at competitive price with high quality. In anticipation of reduced production of EMM as a result of the output reduction plan initiated by the manganese industry alliance and tightened policies for energy saving and emission reduction in PRC, in order to supplement the customers' demand of the Group from time to time and to enlarge the Group's market share and maintain our market leadership in the region, the Group has entered into the 2022 Guangxi Dameng EMM Agreement. In addition, the collaboration with Guangxi Dameng can ensure a more orderly market in the local region and enhance the Group's economies of scales and sales bargaining power in negotiating commercial terms with their common customers.

### **2022 Guangxi Dameng Ore Agreement**

As disclosed in the website of State-owned Assets Supervision and Administration Commission State Council in PRC (<http://www.sasac.gov.cn/n2588025/n2588129/c2818262/content.html>), Guangxi Dameng owns two manganese mining companies in South Africa, namely PMG Mining (Pty) Ltd. ("PMG") and Lidino 514 (Pty) LTD ("LIDINO"). PMG has two manganese mines with an aggregate manganese resource of approximately 142 million tonnes, while LIDINO has one manganese mine with manganese resource of approximately 137 million tonnes. Guangxi Dameng is one of the key High Grade Manganese Ore oversea suppliers in the PRC and can offer such High Grade Manganese Ore in large quantities at competitive prices. Such High Grade Manganese Ore are essential materials for our manganese ferroalloy production. The use of High Grade Manganese Ore can enhance the product quality of our various downstream products, thereby enhancing our market leadership in related downstream products, which is beneficial to our continuing operations and business.

In view of pricing policy and internal control measures set out and the other information set out in this announcement, the Directors (including the independent non-executive Directors) (except Ms. Cui Ling, who is also director and/or senior management of Guangxi Dameng (and/or its subsidiaries) which is deemed to have material interest in the transaction, has abstained from voting on the Board resolution approving 2022 Guangxi Dameng Agreements) are of the view that: (i) 2022 Guangxi Dameng Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the terms under 2022 Guangxi Dameng Agreements (including the 2022 Guangxi Dameng Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INFORMATION RELATING TO THE COMPANY AND GUANGXI DAMENG**

The Company is a vertically integrated manganese producer that produces and sells manganese products. It has manganese mining and ore processing in the PRC and Gabon, as well as downstream processing operations in China.

Guangxi Dameng together with its subsidiaries are principally engaged in manganese mining and processing, EMM production, battery production, accessories manufacturing and export trade, and other businesses.

## **LISTING RULES IMPLICATIONS**

Guinan Dameng holds 22.64% equity interest in the Company. Since Guinan Dameng is wholly owned by Guangxi Dameng through its subsidiary, Guangxi Dameng is a connected person of the Company. The transactions contemplated under the 2022 Guangxi Dameng Agreements constitute continuing connected transactions of the Company.

As the highest applicable Percentage Ratio calculated with reference to 2022 Guangxi Dameng Caps under the 2022 Guangxi Dameng Agreements on an aggregate basis for each of the three years ending 31 December 2024 is more than 0.1% but less than 5.0%, the transactions contemplated under the 2022 Guangxi Dameng Agreements are therefore subject to announcement, reporting and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **(2) NEW CONTINUING CONNECTED TRANSACTIONS WITH GUANGXI GREMI AND ITS SUBSIDIARIES**

On 21 January 2022, the Company entered into the 2022 Guangxi Gremi Negative Plates Agreement with Guangxi Gremi. Pursuant to the 2022 Guangxi Gremi Negative Plates Agreement, the Company (for itself and on behalf of its subsidiaries) agreed to purchase and Guangxi Gremi (for itself and on behalf of its subsidiaries) agreed to sell negative plates for the period from 21 January 2022 to 31 December 2024. The details of principal terms of 2022 Guangxi Gremi Negative Plates Agreement are set out as follows:

<b>Date:</b>	21 January 2022
<b>Parties:</b>	(i) the Company (and/or its subsidiaries) (as the purchaser); and (ii) Guangxi Gremi (and/or its subsidiaries) (as the seller)
<b>Subject:</b>	Pursuant to 2022 Guangxi Gremi Negative Plates Agreement, the Company (and/or its subsidiaries) agreed to purchase and Guangxi Gremi (and/or its subsidiaries) agreed to sell the negative plates.
<b>Pricing Policy:</b>	Prior to entering into any transactions pursuant to the 2022 Guangxi Gremi Negative Plates Agreement, the Company (and/or its

subsidiaries) will negotiate with Guangxi Gremi (and/or its subsidiaries) on arms' length basis and obtain relevant market price information through the following channels, so as to ensure that the terms of any offer for the transactions contemplated under the 2022 Guangxi Gremi Negative Plates Agreement are fair and reasonable and no less favorable than the terms offered to the Company (and/or its subsidiaries) from Independent Third Parties and such transactions are on normal commercial terms:

- (i) considering not less than three comparable transactions conducted by Independent Third Parties during the same period on such negative plates;
- (ii) communication and exchange of price information with not less than three independent suppliers by various means, including telephone conversations, emails and meetings, with peers and business partners within the same industry; and
- (iii) At least three independent suppliers participate in the quotation through bidding or competitive negotiation.

**Payment term:**

The Company (and/or its subsidiaries) shall make advance payment which is no more than 40% of the contract value to Guangxi Gremi (and/or its subsidiaries) by way of bank acceptance note with maturity of not more than one year and/or online banking remittance before goods delivery and the balance payment will be paid by stages depending on performance of the contract. Final settlement will be based on the inspection certificate and inspection results with value added tax invoices issued by Guangxi Gremi (and/or its subsidiaries). The payment term shall be no less favorable than those offered to the Company by an Independent Third Party for the same or similar products.

**Term:**

For the period from 21 January 2022 to 31 December 2024

## THE 2022 GUANGXI GREMI CAPS

The 2022 Guangxi Gremi Caps in respect of the 2022 Guangxi Gremi Negative Plates Agreement are set out as follows:

	The 2022 Guangxi Gremi Caps		
	From 21 January 2022 to 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
<b>2022 Guangxi Gremi Negative Plates Agreement</b>	RMB10,000,000	RMB10,000,000	RMB10,000,000
Purchase of negative plates from Guangxi Gremi (and/or its subsidiaries)	(equivalent to HK\$12,000,000)	(equivalent to HK\$12,000,000)	(equivalent to HK\$12,000,000)

The proposed annual caps in respect of the purchase of negative plates from Guangxi Gremi (and/or its subsidiaries) are determined with reference to, inter alia (i) the projected volume of purchase of negative plates by the Group under 2022 Guangxi Gremi Negative Plates Agreement taking into account the operations of the Group and the potential market conditions of our products for business growth and development for the corresponding period; and (ii) estimated average ex-tax unit price of negative plates of approximately RMB300 (approximately HK\$360) each during the period from 21 January 2022 to 31 December 2024.

## REASONS FOR AND BENEFITS OF ENTERING INTO 2022 GUANGXI GREMI NEGATIVE PLATES AGREEMENT

Guangxi Gremi is one of the leading negative plates producers in PRC which produces negative plates at competitive price with high quality in Guangxi and can supplement the demand of the Group from time to time and to enable the Group to maintain its market leadership in the region. In addition, Guangxi Gremi is familiar with the Company's production situation, can adjust product technology according to the Company's needs, and can provide fast after-sales support.

In view of pricing policy and internal control measures set out and the other information set out in this announcement, the Directors (including the independent non-executive Directors) (neither of them is deemed to have material interest in the transaction) are of the view that: (i) 2022 Guangxi Gremi Negative Plates Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the terms under 2022 Guangxi Gremi Negative Plates Agreement (including the 2022 Guangxi Gremi Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## INFORMATION RELATING TO GUANGXI GREMI

Guangxi Gremi is an indirect wholly owned subsidiary of Guangxi Railway Investment Group. It is mainly engaged in smart equipment manufacturing, mechanical equipment research and development, and sales of steel, ferroalloy, negative plates and other equipment parts.

## **LISTING RULES IMPLICATIONS**

Guangxi Gremi is an indirect wholly owned subsidiary of Guangxi Railway Investment Group, which is the holding company of Guangxi Dameng, a connected person of the Company. Therefore, Guangxi Gremi is a connected person of the Company. The transactions contemplated under the 2022 Guangxi Gremi Negative Plates Agreement constitute continuing connected transactions of the Company.

As the highest applicable Percentage Ratio calculated with reference to 2022 Guangxi Gremi Caps under 2022 Guangxi Gremi Negative Plates Agreement for each of the three years ending 31 December 2024 is more than 0.1% but less than 5.0%, the transactions contemplated under the 2022 Guangxi Gremi Negative Plates Agreement are therefore subject to announcement, reporting and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTERNAL CONTROL MEASURES**

The Group has established the following internal control measures to ensure that the pricing policy and the terms of the continuing connected transaction contemplated under the 2022 Guangxi Dameng Agreements and 2022 Guangxi Gremi Negative Plates Agreement are fair and reasonable and no less favorable than the terms offered to the Company (and/or its subsidiaries) from Independent Third Parties and such transactions are on normal commercial terms:

- (1) The purchasing manager of the Group has been designated to ensure that:
  - (i) proper trail of documents is kept for the price comparison procedure set out in the section headed "Pricing Policy" evidencing compliance with the pricing policy;
  - (ii) with the assistance of the finance department of the Group, the aggregate transaction amount contemplated under the 2022 Guangxi Dameng Agreements and 2022 Guangxi Gremi Negative Plates Agreement with Guangxi Dameng and Guangxi Gremi (and/or their respective subsidiaries) (as the case may be) will not exceed the 2022 Guangxi Dameng Caps and 2022 Guangxi Gremi Caps respectively; and
  - (iii) any offer from Guangxi Dameng, Guangxi Gremi (and/or their respective subsidiaries) needs to be approved by the purchasing manager before the offer can be accepted by the Company (and/or its subsidiaries).

- (2) The finance department of the Group will perform monthly check on the transactions entered under the 2022 Guangxi Dameng Agreements and 2022 Guangxi Gremi Negative Plates Agreement to ensure that the 2022 Guangxi Dameng Caps and 2022 Guangxi Gremi Caps are not exceeded.
- (3) The Company’s external auditors will conduct an annual review of the transactions entered into under the 2022 Guangxi Dameng Agreements and 2022 Guangxi Gremi Negative Plates Agreement in accordance with the Listing Rules.
- (4) In accordance with the Listing Rules, the independent non-executive Directors will also perform an annual review of the transactions entered into pursuant to the 2022 Guangxi Dameng Agreements and 2022 Guangxi Gremi Negative Plates Agreement.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2018 Guangxi Dameng EMM Agreement”, “2018 Guangxi Dameng Ore Agreement”, “2018 Guangxi Dameng Raw Materials Agreement”, “2018 Guangxi Liuzhou Agreement”, “2018 Integrated Services Framework Agreement”, “2018 Nanning Battery Plant Agreement, “2021 Guangxi Dameng Ore Agreement”, “Daxin Mine”, “Guangxi Liuzhou”, “Integrated Services”, “Nanning Battery Plant” and “Raw Materials”	has the meaning ascribed to it under the circular of the Company dated 29 June 2018 and the announcement of the Company dated 31 December 2020
“2022 Guangxi Dameng Agreements”	2022 Guangxi Dameng EMM Agreement and 2022 Guangxi Dameng Ore Agreement
“2022 Guangxi Dameng Caps”	the maximum aggregate annual caps for the transactions contemplated under 2022 Guangxi Dameng Agreements for each

	of the three years ending 31 December 2024
“2022 Guangxi Dameng EMM Agreement”	the agreement entered into between the Company and Guangxi Dameng dated 21 January 2022, pursuant to which the Company (and/or its subsidiaries) agreed to purchase and Guangxi Dameng (and/or its subsidiaries) agreed to sell EMM for the period from 21 January 2022 to 31 December 2024
“2022 Guangxi Dameng Ore Agreement”	the agreement entered into between the Company and Guangxi Dameng dated 21 January 2022, pursuant to which the Company (and/or its subsidiaries) agreed to purchase and Guangxi Dameng (and/or its subsidiaries) agreed to sell High Grade Manganese Ore for the period from 21 January 2022 to 31 December 2024
“2022 Guangxi Gremi Caps”	the maximum annual caps for the transactions contemplated under 2022 Guangxi Gremi Negative Plates Agreement for each of the three years ending 31 December 2024
“2022 Guangxi Gremi Negative Plates Agreement”	the agreement entered into between the Company and Guangxi Gremi dated 21 January 2022, pursuant to which the Company (and/or its subsidiaries) agreed to purchase and Guangxi Gremi (and/or its subsidiaries) agreed to sell negative plates for the period from 21 January 2022 to 31 December 2024
“Associate(s)”, “Connected Person(s)”, and “substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	南方錳業投資有限公司 (South Manganese Investment Limited), a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1091.HK)
“Directors”	directors of the Company
“EMM”	electrolytic manganese metal and its related products
“Group”, “us” or “our”	the Company and its subsidiaries
“Guangxi Dameng”	廣西大錳錳業集團有限公司 (Guangxi Dameng Manganese Industrial Co., Ltd.), a state-owned limited liability company established under the laws of the PRC, which is a connected person of the Company and an indirect wholly owned subsidiary of Guangxi Railway Investment Group

“Guangxi Gremi”	廣西柳州格瑞米智慧裝備製造有限公司 (Guangxi Liuzhou Gremi Intelligent Equipment Manufacturing Co., Ltd. ), a limited liability company established under the laws of the PRC which is an indirectly wholly owned subsidiary of Guangxi Railway Investment Group
“Guangxi Railway Investment Group”	廣西鐵路投資集團有限公司 (Guangxi Railway Investment Group Co., Ltd.), a state-owned limited liability company established under the laws of the PRC which is the holding company of Guangxi Dameng and Guangxi Gremi and indirectly wholly owned by the government of Guangxi, PRC
“Guinan Dameng”	桂南大錳國際資源有限公司 (Guinan Dameng International Resources Limited), a company incorporated in the British Virgin Islands which is a substantial shareholder of the Company and an indirectly wholly owned subsidiary of Guangxi Dameng
“High Grade Manganese Ore”	Manganese ores with manganese content of more than 30% and its related products
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	persons or companies which are independent of the Group, the directors, the chief executives, the substantial shareholders or any of its subsidiaries, and their respective associates
“Listing Rule(s)”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratio”	the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules
“PRC” or “China”	the People’s Republic of China and for the purpose of this announcement, reference to the PRC excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent



- Notes: 1. *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.*
2. *For the purpose of this announcement, save for the historical amounts for the years ended 31 December 2019, 2020 and 2021 which are converted based on their respective historical rates and the annual caps for the above historical transactions are converted at the rate(s) adopted in their respective announcements previously issued by the Group, the amounts in RMB have been converted into HK\$ or vice versa at the rate of RMB1.00 = HK\$1.20 for illustration purposes only. No representation is made that any amounts in HK\$ or RMB have been or could have been or can be converted at the above rate or at any other rates or at all.*

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

Hong Kong, 21 January 2022

*As at the date of this announcement, the executive Directors are Mr. Li Weijian, Mr. Zhang He and Mr. Zhang Zongjian; the non-executive Directors are Mr. Lyu Yanzheng, Mr. Cheng Zhiwei and Ms. Cui Ling; and the independent non-executive Directors are Mr. Zhang Yupeng, Mr. Yuan Mingliang and Mr. Lau Wan Ki.*