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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)**

### **CONNECTED TRANSACTION VERTICAL MILL PURCHASE AND SALE AGREEMENT**

#### **VERTICAL MILL PURCHASE AND SALE AGREEMENT**

The Board is pleased to announce that on 16 August 2022, South Manganese Group entered into the Vertical Mill Purchase and Sale Agreement with Guangxi Gremi, pursuant to which, South Manganese Group agreed to purchase and Guangxi Gremi agreed to sell Vertical Mill. The total contract price is RMB4,849,557.52 (equivalent to approximately HK\$5,625,486.72) on an ex-tax basis.

#### **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 transaction contemplated under the Vertical Mill Purchase and Sale Agreement constitutes connected transaction of the Company.

As the highest applicable Percentage Ratio calculated with reference to the consideration under the Vertical Mill Purchase and Sale Agreement is more than 0.1% but less than 5.0%, the transaction contemplated under the Vertical Mill Purchase and Sale Agreement are therefore subject to announcement and reporting requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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The Board is pleased to announce that on 16 August 2022, South Manganese Group entered into the Vertical Mill Purchase and Sale Agreement with Guangxi Gremi, pursuant to which, South Manganese Group agreed to purchase and Guangxi Gremi agreed to sell the Vertical Mill.

The details of principal terms of the Vertical Mill Purchase and Sale Agreement are set out as follows:

- Date:** 16 August 2022
- Parties:** (i) South Manganese Group (as the purchaser); and  
(ii) Guangxi Gremi (as the seller)
- Subject:** Pursuant to the Vertical Mill Purchase and Sale Agreement, South Manganese Group agreed to purchase and Guangxi Gremi agreed to sell the Vertical Mill.
- Consideration and pricing policy:** The total contract price is RMB4,849,557.52 (equivalent to approximately HK\$5,625,486.72) on an ex-tax basis. The contract price was arrived at by a tender process conducted by the South Manganese Group for the procurement of the Vertical Mill. For details of the tender process in respect of the Vertical Mill Purchase and Sale Agreement, please refer to the paragraph headed “Reasons for and benefits of entering into of the Vertical Mill Purchase and Sale Agreement” below.
- Payment term:** South Manganese Group shall make advance payment which is 30% of the contract value to Guangxi Gremi upon execution of the Vertical Mill Purchase and Sale Agreement and the balance payment (70%) will be paid by stages depending on performance of the contract. Final settlement will be based on the acceptance and installation and commissioning results with value added tax invoices issued by Guangxi Gremi. The payment term shall be no less favourable than those offered to South Manganese Group by an Independent Third Party for the same or similar products.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE VERTICAL MILL PURCHASE AND SALE AGREEMENT**

Guangxi Gremi produces high-quality vertical mills on a large scale in Guangxi, PRC. It is one of the industry leaders in the region and offers competitive purchase price to meet the

demand of the Group from time to time, thus prompting the Group to maintain its market leadership. 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.

A public tender was conducted by South Manganese Group for the procurement and installation of the Vertical Mill. The Group has engaged a tendering agent, being an Independent Third Party, to prepare the bidding document for the procurement of the Vertical Mill. Tenders were received from at least three bidders including Guangxi Gremi and other bidders, who are Independent Third Parties. Bidders were assessed based on a systematic scoring on selection criteria including not only the examination of industry know-how, technological know-how, personnel and practical experience, but also business scoring (including equipment after-sales service and other preferential conditions provided), technical scoring (including product performance and configuration, product quality assurance and safety measures) and price scoring. The Vertical Mill Purchase and Sale Agreement was awarded to Guangxi Gremi based on the highest total score offered among all bidders. The terms to be entered into with Guangxi Gremi were no less favourable to the Group than the terms offered by other bidders which were Independent Third Parties. Internal control measures have been put in place to ensure the tender process relating to purchase of the Vertical Mill was conducted in accordance with the Group's standard tender process and in a fair and open manner.

In view of the above, the Directors (including the independent non-executive Directors) (none of them is deemed to have material interest in the transaction and therefore have to abstain from voting) are of the view that: (i) the Vertical Mill Purchase and Sale Agreement has been entered into on normal commercial terms; and (ii) the terms under the Vertical Mill Purchase and Sale Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION RELATING TO THE COMPANY, SOUTH MANGANESE GROUP AND GUANGXI GERAMI**

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

South Manganese Group is one of market leaders in vertically integrated manganese producer that produces and sells manganese products. It has manganese mining, ore processing and downstream processing operations in the PRC.

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, vertical mill and other equipment parts.

## LISTING RULES IMPLICATIONS

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## DEFINITIONS

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

“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
“Group”	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 limited liability company established under the laws of the PRC, which is a substantial Shareholder 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 limited liability company established under the laws of the PRC which is the holding company of Guangxi Gremi and indirectly wholly-owned by the government of Guangxi, PRC
“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”	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
“South Manganese Group”	南方錳業集團有限責任公司 (South Manganese Group Limited), an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vertical Mill”	vertical mill with production capacity of 130,000-150,000 tonne per annum
“Vertical Mill Purchase and Sale Agreement”	the agreement entered into between South Manganese Group and Guangxi Gremi dated 16 August 2022, pursuant to which South Manganese Group agreed to purchase and Guangxi Gremi agreed to sell the Vertical Mill
“%”	per cent

*Note: 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, the amounts in RMB have been converted into HK\$ at the rate of RMB1.00 = HK\$1.16 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, 16 August 2022

*As at the date of this announcement, the executive Directors are Mr. Li Weijian, Mr. Zhang He and Mr. Xu Xiang; 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.*