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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)

DISCLOSEABLE TRANSACTION

LIMITED PARTNERSHIP AGREEMENT IN RELATION TO THE ESTABLISHMENT OF THE LIMITED PARTNERSHIP

ESTABLISHMENT OF THE LIMITED PARTNERSHIP

The Board is pleased to announce that on 30 March 2021, South Manganese Group, an indirect wholly-owned subsidiary of the Company, entered into the Limited Partnership Agreement with Kunshang Assets, Tianyuan Manganese, Mengdu Industry and Trade, Mr. Yang, Sanhe Manganese, Dongfang Mining, Xinzhen Manganese, China Manganese Technology, Xincheng Manganese and Xinyuan Manganese in respect of, among other matters, the establishment of the Limited Partnership in accordance with the Partnership Enterprise Law of the PRC and the subscription of interest therein. Pursuant to the Limited Partnership Agreement, the total capital of the Limited Partnership is RMB1,529 million (equivalent to HK\$1,820 million).

THE LIMITED PARTNERSHIP AGREEMENT

The principal terms of the Limited Partnership Agreement are summarized below:

Date	30 March 2021
Name of the Limited Partnership	Qingdao Manganese Investment Cooperative Enterprise (Limited Partnership) (青島錳系投資合夥企業(有限合夥))
Partners	(1) Kunshang Assets, as the General Partner and Managing Partner

- (2) Tianyuan Manganese, as a Limited Partner
- (3) South Manganese Group, as a Limited Partner
- (4) Mengdu Industry and Trade, as a Limited Partner
- (5) Mr. Yang, as a Limited Partner
- (6) Sanhe Manganese, as a Limited Partner
- (7) Dongfang Mining, as a Limited Partner
- (8) Xinzhen Manganese, as a Limited Partner
- (9) China Manganese Technology, as a Limited Partner
- (10) Xincheng Manganese, as a Limited Partner
- (11) Xinyuan Manganese, as a Limited Partner

Scope of business	The Limited Partnership will be mainly engaged in the sales and purchases of manganese products, including but not limited to electrolytic metal manganese (manganese flakes or manganese ingots) and its upstream and downstream products.
Objective	The Limited Partnership shall promote the green, healthy and stable development of the entire manganese industry in the long term, and at the same time enable the Limited Partnership to get the best economic benefits.
Term of operation	The Limited Partnership is for an indefinite period of operation and shall commence on the date of its establishment. Within the first five years from the establishment of the Limited Partnership, all of the partners are not allowed to withdraw from the Limited Partnership, but thereafter, a partner can withdraw from the Limited Partnership without the consent of the other partners.
Capital contribution	<p>The total capital of the Limited Partnership under the Limited Partnership Agreement is RMB1,529 million (equivalent to HK\$1,820 million).</p> <p>The total amount of capital contributions subscribed by the General Partner and Limited Partners is RMB1,529 million (equivalent to HK\$1,820 million), and each Partner at its option can make capital contribution for its share of subscription (i) in currency, or (ii) by way of electrolytic metal manganese as currency equivalent, calculated at</p>

RMB16,000 per metric tonne. The first-phase of capital contributions in total by the Partners should not be less than RMB458.7 million (equivalent to HK\$545.9 million), and the parties agreed that the remaining balance of capital contribution of RMB1,070.3 million (equivalent to HK\$1,273.7 million) will be determined by all the Partners together through negotiation, but no later than 31 December 2041.

The specific amount of committed capital contribution and time limit for capital contribution of each Partner are as follows:

Partners	Capital contribution (RMB million)	Equity interest percentage in the Limited Partnership (Note)	Time Limit for Capital Contribution
Kunshang Assets	1	0.07%	A capital contribution of RMB0.15 million shall be made before 31 March 2021, and another capital contribution of RMB0.15 million shall be made before 30 April 2021. The remaining period of capital contribution shall be decided by all Partners afterwards.
Tianyuan Manganese	720	47.09%	A capital contribution of RMB108 million shall be made before 31 March 2021, and another capital contribution of RMB108 million shall be made before 30 April 2021. The remaining period of capital contribution shall be decided by all Partners afterwards.
South Manganese Group	250	16.35%	A capital contribution of RMB37.5 million shall be made before 31 March 2021, and another capital contribution of RMB37.5 million shall be made

			before 30 April 2021. The remaining period of capital contribution shall be decided by all Partners afterwards.
Mengdu Industry and Trade	140	9.16%	A capital contribution of RMB21 million shall be made before 31 March 2021, and another capital contribution of RMB21 million shall be made before 30 April 2021. The remaining period of capital contribution shall be decided by all Partners afterwards.
Mr. Yang	97	6.34%	A capital contribution of RMB14.55 million shall be made before 31 March 2021, and another capital contribution of RMB14.55 million shall be made before 30 April 2021. The remaining period of capital contribution shall be decided by all Partners afterwards.
Dongfang Mining	76	4.97%	A capital contribution of RMB11.4 million shall be made before 31 March 2021, and another capital contribution of RMB11.4 million shall be made before 30 April 2021. The remaining period of capital contribution shall be decided by all Partners afterwards.
Sanhe Manganese	75	4.91%	A capital contribution of RMB11.25 million shall be made before 31 March 2021, and another capital contribution of RMB11.25 million shall

			be made before 30 April 2021. The remaining period of capital contribution shall be decided by all Partners afterwards.
Xinzhen Manganese	68	4.45%	A capital contribution of RMB6.8 million shall be made before 31 March 2021, and another capital contribution of RMB6.8 million shall be made before 30 April 2021, and another capital contribution of RMB6.8 million shall be made before 31 May 2021. The remaining period of capital contribution shall be decided by all Partners afterwards. If the capital contribution is made later than 30 April 2021, an interest shall be paid to the Limited Partnership at the bank loan interest rate during the same period.
China Manganese Technology	60	3.92%	A capital contribution of RMB3.6 million shall be made before 31 March 2021, and another capital contribution of RMB3.6 million shall be made before 31 May 2021, and another capital contribution of RMB3.6 million shall be made before 30 June 2021, and another capital contribution of RMB3.6 million shall be made before 31 August 2021, and another capital contribution of RMB3.6

			million shall be made before 30 September 2021. The remaining period of capital contribution shall be decided by all Partners afterwards. If the capital contribution is made later than 30 April 2021, an interest shall be paid to the Limited Partnership at the bank loan interest rate during the same period.
Xincheng Manganese	28	1.83%	A capital contribution of RMB2.8 million shall be made before 31 March 2021, and another capital contribution of RMB2.8 million shall be made before 30 April 2021, and another capital contribution of RMB2.8 million shall be made before 31 May 2021. The remaining period of capital contribution shall be decided by all Partners afterwards. If the capital contribution is made later than 30 April 2021, an interest shall be paid to the Limited Partnership at the bank loan interest rate during the same period.
Xinyuan Manganese	14	0.92%	A capital contribution of RMB2.1 million shall be made before 31 March 2021, and another capital contribution of RMB2.1 million shall be made before 30 April 2021. The remaining period of capital contribution shall

			be decided by all Partners afterwards.
Total	1,529	100%	

(Note: the above equity interest percentage figures have been rounded. Accordingly, the arithmetic sums shown in certain tables may not equal the totals of the figures preceding them.)

Management

Kunshang Assets, serving as the Managing Partner, will be responsible for the management of the partnership affairs.

Remuneration of the Managing Partner and expenses of the Limited Partnership

The Limited Partnership shall pay an annual remuneration, one month in arrears, to the Managing Partner an amount equal to and capped at 1% of the total paid-up capital of the Limited Partnership as of the end of a financial year and this remuneration covers the following expenses to be paid by the Managing Partner on behalf of the Limited Partnership:

- (1) pre-operating expenses;
- (2) daily operating expenses including management team and staff payroll expenses, office rentals and utilities;
- (3) business operating expenses including staff's travel expenses, professional fees of outside consultants of lawyers, auditors and accountants, etc.;
- (4) expenses for preparing and auditing the financial statements and tax filings;
- (5) expenses incurred by the members of investment decision committee in fulfilling their duties as committee members; and
- (6) expenses incurred in administrating tax matters with tax authorities.

Other expenses including liquidation and dissolution related fees and costs which are not usually included in daily operating expenses are for the account of the Limited Partnership.

Sharing of profit and loss

Within 3 months after the end of each financial year of the Limited Partnership, the Managing Partner will organize an audit of the Limited Partnership and distribute the distributable profits of the Limited Partnership in the year as set out in the following paragraph.

If the distributable profits in a financial year is:

- (1) equal to or more than an amount equivalent to an annual rate of 6% as applied to the Limited Partnership's paid-in capital during the year and calculated on a daily basis, the Managing Partner shall arrange to distribute profits to each Limited Partner with an amount equal to 6% of its paid-in capital contribution calculated on a daily basis. The General Partner is entitled to a consultancy fee amounting to 30% of the remaining balance of profits after the above distribution to the Limited Partners, with the other 70% to be shared amongst the Limited Partners according to their paid-in capital contribution calculated on a daily basis; or
- (2) lower than an amount equivalent to an annual rate of 6% as applied to the Limited Partnership's paid-in capital during the year and calculated on a daily basis, the Managing Partner shall have the right not to distribute any profits for the year.

Any profits distribution proposed by the Managing Partner in excess of that stipulated in the Limited Partnership Agreement is subject to the unanimous approval of the general meeting of all Partners.

Any losses of the Limited Partnership shall be allocated and shared according to the proportion of the actual capital contribution of the Partners; if the proportion of capital contribution cannot be determined, they shall allocate and share the losses equally. The General Partner shall bear unlimited joint liability for the debts of the Limited Partnership, and each of the Limited Partners shall bear the liability for the debts of the Limited Partnership limited to its subscribed capital contribution.

Investment decision
committee

The Limited Partnership shall establish an investment decision committee, which is the sole investment decision-making body of the Limited Partnership. The investment decision committee is composed of 7 members. Tianyuan Manganese nominates 2 candidates, South Manganese Group nominates 1 candidate, Mr. Yang nominates 1 candidate, Mengdu Industry and Trade nominates 1 candidate, Sanhe Manganese nominates 1 candidate, and Xinzhen Manganese nominates 1 candidate. Member appointment of the investment decision committee must be reviewed and approved by the Partners in meeting. Voting at meetings of the investment decision committee shall be in written form, with one vote for each member. The voting of the investment decision committee's proposals must be approved by five or more members of the committee, and certain major matters, including sales and purchases of products with a Limited Partner and investment, require the unanimous approval of all members of the investment decision committee.

Exit

A Partner may exit the Limited Partnership:

- (1) in accordance with the terms of the Limited Partnership Agreement;
- (2) with the unanimous consent of all Partners;
- (3) upon occurrence of any incident which makes it hard for it to continue its participation in the Limited Partnership; or
- (4) if the other Partners are in serious breach of their duties under the Limited Partnership Agreement.

Dissolution and winding-up of the Limited Partnership

The Limited Partnership will be dissolved and wound up in the following events:

- (1) the term of the Limited Partnership expires and the Partners decide to cease its operation;
- (2) all Partners decide to dissolve the Limited Partnership;
- (3) the number of Partners is less than the quorum for more than 30 days;
- (4) the objective of the Limited Partnership as stated in the Limited Partnership Agreement has been realized or is unable to realize;
- (5) the business license of the Limited Partnership is revoked, or is ordered to close down or to be revoked; or
- (6) any other reasons as provided under the relevant PRC laws and administrative regulations.

According to applicable accounting standards, after the establishment of the Limited Partnership, the Group will account for it under equity method.

INFORMATION ABOUT THE COMPANY, SOUTH MANGANESE GROUP AND THE PARTNERS

The Company

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

South Manganese Group (holds 16.35% of shares of the Limited Partnership)

South Manganese Group is an indirect wholly-owned subsidiary of the Company. It was incorporated in PRC and is a large-scale enterprise group engaged in the production and research and development of manganese products with the integration of mining, selection and smelting.

The Partners

Kunshang Assets (holds 0.07% of shares of the Limited Partnership)

Kunshang Assets is a limited liability company established in PRC, mainly engaged in private equity equity and venture capital fund management. Kunshang Assets is owned as to 100% by Beijing Tianyuan Manganese Industry Co., Ltd. Beijing Tianyuan Manganese Industry Co., Ltd. is owned as to 100% by Tianyuan Manganese. Tianyuan Manganese is owned as to 99.98%, 0.01% and 0.01% by Mr. Jia Tianjiang, Ms. Zhu Fenglian and Ms. Dong Jufeng.

Tianyuan Manganese (holds 47.09% of shares of the Limited Partnership)

Tianyuan Manganese is a limited liability company established in the PRC, principally engaged in the production of electrolytic manganese metal. Tianyuan Manganese is owned as to 99.98%, 0.01% and 0.01% by Mr. Jia Tianjiang, Ms. Zhu Fenglian and Ms. Dong Jufeng.

Mengdu Industry and Trade (holds 9.16% of shares of the Limited Partnership)

Mengdu Industry and Trade is a limited liability company established in the PRC, which is mainly engaged in the production and sales of electrolytic manganese metal and the purchase, sale and processing of raw and auxiliary materials for metal manganese. Mengdu Industry and Trade is owned as to 100% by Chongqing Wujiang Industry Group Trade Co., Ltd. Chongqing Wujiang Industry Group Trade Co., Ltd. is owned as to 100% by Chongqing Wujiang Industry (Group) Co., Ltd. Chongqing Wujiang Industry (Group) Co., Ltd. is owned as to 100% by Chongqing Changdian United Energy Co., Ltd. Chongqing Changdian United Energy Co., Ltd. is owned as to 100% by Chongqing Three Gorges Water Conservancy And Electric Power Co.,Ltd. the securities of which are listed at Shanghai Stock Exchange and its stock code is 600116.SH.

Mr. Yang (holds 6.34% of shares of the Limited Partnership)

Mr. Yang holds 35% of shares of Akto Kebang Manganese Manufacturing Co., Ltd. (阿克陶科邦 錳業製造有限公司) which is a limited liability company incorporated in the PRC and is principally engaged in the production of electrolytic metal manganese.

The remaining Partners, including Dongfang Mining, Sanhe Manganese, Xinzhen Manganese, China Manganese Technology, Xincheng Manganese and Xinyuan Manganese respectively hold approximately 4.97%, 4.91%, 4.45%, 3.92% 1.83% and 0.92% of shares of the Limited Partnerships, all of which are mainly engaged in the production and sales of electrolytic manganese metal.

“China Manganese Technology”	China Manganese (Hubei) Technology Development Co., Ltd. (中錳(湖北)科技發展有限公司), a limited liability company incorporated in the PRC;
“Company”	South Manganese Investment Limited (南方錳業投資有限公司) (Stock Code: 1091), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Dongfang Mining”	Hunan Dongfang Mining Co., Ltd. (湖南東方礦業有限責任公司), a limited liability company incorporated in the PRC;
“General Partner”	the general partner of the Limited Partnership, being Kunshang Assets;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Kunshang Assets”	Ningbo Meishan Free Trade Port Area Kunshang Asset Management Co., Ltd. (寧波梅山保稅港區坤上資產管理有限公司), a limited liability company incorporated in the PRC;
“Limited Partnership”	Qingdao Manganese Investment Cooperative Enterprise (Limited Partnership) (青島錳系投資合夥企業(有限合夥)), a limited partnership established and registered under the laws of the PRC pursuant to the Limited Partnership Agreement;
“Limited Partner(s)”	the limited partners of the Limited Partnership, being Tianyuan Manganese, South Manganese Group, Mengdu Industry and Trade, Mr. Yang, Sanhe Manganese, Dongfang Mining, Xinzhen Manganese, China Manganese Technology, Xincheng Manganese and Xinyuan Manganese;
“Limited Partnership Agreement”	the limited partnership agreement entered into by Kunshang Assets, Tianyuan Manganese, South Manganese Group, Mengdu Industry and Trade, Mr. Yang, Sanhe Manganese, Dongfang Mining, Xinzhen Manganese, China Manganese Technology, Xincheng Manganese and Xinyuan Manganese on 30 March 2021 in respect of the establishment of the

	Limited Partnership in accordance with the Partnership Enterprise Law of the PRC and the subscription of interest therein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Managing Partner”	the managing partner of the Limited Partnership, being Kunshang Assets;
“Mr. Yang”	Mr. Yang Shengrong;
“Partner(s)”	the partner(s) of the Limited Partnership, including the General Partner and the Limited Partners;
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sanhe Manganese”	Songtao Sanhe Manganese Industry Group Co., Ltd. (松桃三和錳業集團有限責任公司), a limited liability company incorporated in the PRC;
“Shareholder(s)”	holder(s) of the shares of the Company;
“South Manganese Group”	South Manganese Group Limited (南方錳業集團有限責任公司), an indirect wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tianyuan Manganese”	Ningxia Tianyuan Manganese Industry Group Co., Ltd. (寧夏天元錳業集團有限公司), a limited liability company incorporated in the PRC;
“Mengdu Industry and Trade”	Chongqing Mengdu Industry and Trade Co., Ltd. (重慶錳都工貿有限公司), a limited liability company incorporated in the PRC;
“Xincheng Manganese”	Yongzhou Xincheng Manganese Industry Co., Ltd. (永州市鑫城錳業有限公司), a limited liability company incorporated in the PRC;

“Xinyuan Manganese”	Jingxi Xinyuan Manganese Industry Co., Ltd. (靖西市鑫源錳業有限公司), a limited liability company incorporated in the PRC;
“Xinzhen Manganese”	Guangxi Xinzhen Manganese Industry Group Co., Ltd. (廣西新振錳業集團有限公司), a limited liability company incorporated in the PRC;
“%”	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 exchange rate of RMB1.00 to HK\$1.19 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes only and do not constitute representations that any amount in HK\$ or RMB have been, could have been or may be converted at such rate.*

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

Hong Kong, 30 March 2021

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. Lin Zhijun, Mr. Zhang Yupeng and Mr. Wang Zhihong.