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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 IN RELATION TO THE FINANCE LEASE AGREEMENT**

##### **(1) THE FIRST FINANCE LEASE AGREEMENT**

On 27 June 2024, South Manganese Group, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreement with Beibu Gulf Financial, pursuant to which (i) Beibu Gulf Financial has agreed to purchase the Equipment I from South Manganese Group at a consideration of RMB30,000,000 (equivalent to approximately HK\$32,700,000) and lease the Equipment I back to South Manganese Group for a period of 48 months; and (ii) South Manganese Group shall have the right to purchase the Equipment I at the nominal consideration of RMB100 (equivalent to approximately HK\$109) after the Lease Period I.

Pursuant to the First Finance Lease Agreement, South Manganese Group agreed to pay Beibu Gulf Financial the Security Deposit I of RMB1,950,000 (equivalent to approximately HK\$2,125,500) in connection with the First Finance Lease Agreement.

##### **(2) THE SECOND FINANCE LEASE AGREEMENT**

The Board is pleased to announce that, on 29 July 2024, South Manganese Group entered into the Second Finance Lease Agreement with Beibu Gulf Financial, pursuant to which (i) Beibu Gulf Financial has agreed to purchase the Equipment II from South Manganese Group at a consideration of RMB70,000,000 (equivalent to approximately HK\$76,300,000) and lease the Equipment II back to South Manganese Group for a period of 48 months; and (ii) South Manganese Group shall have the right to purchase the Equipment II at the nominal consideration of RMB100 (equivalent to approximately HK\$109) after the Lease Period II.

Pursuant to the Second Finance Lease Agreement, South Manganese Group agreed to pay Beibu Gulf Financial the Security Deposit II of RMB4,550,000 (equivalent to approximately HK\$4,959,500) in connection with the Second Finance Lease Agreement.

#### **LISTING RULES IMPLICATIONS**

The highest applicable Percentage Ratio of the First Finance Lease Agreement was less than 5% and hence the First Finance Lease Agreement was exempt from the disclosure requirements under Chapter 14 of the Listing Rules.

As the First Finance Lease Agreement and the Second Finance Lease Agreement were entered into by the Group with Beibu Gulf Financial within 12 months, the transactions contemplated under the Second Finance Lease Agreement shall be aggregated with the transactions contemplated under the First Finance Lease Agreement pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable Percentage Ratio in respect of the transactions contemplated under the First Finance Lease Agreement and the Second Finance Lease Agreement on an aggregate basis is more than 5% but less than 25%, the transactions under the First Finance Lease Agreement and the Second Finance Lease Agreement constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from shareholders' approval under Chapter 14 of the Listing Rules.

#### **(1) THE FIRST FINANCE LEASE AGREEMENT**

On 27 June 2024, South Manganese Group, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreement with Beibu Gulf Financial, pursuant to which (i) Beibu Gulf Financial has agreed to purchase the Equipment I from South Manganese Group at a consideration of RMB30,000,000 (equivalent to approximately HK\$32,700,000) and lease the Equipment I back to South Manganese Group for a period of 48 months; and (ii) South Manganese Group shall have the right to purchase the Equipment I at the nominal consideration of RMB100 (equivalent to approximately HK\$109) after the lease period.

The principal terms of the First Finance Lease Agreement are set out below:

**Date:** 27 June 2024

#### **Parties**

1. South Manganese Group, as the lessee; and
2. Beibu Gulf Financial, as the lessor.

## **The First Finance Lease**

Pursuant to the First Finance Lease Agreement, Beibu Gulf Financial will purchase the Equipment I from South Manganese Group (free from any title defects and encumbrances) at a consideration of RMB30,000,000 (equivalent to approximately HK\$32,700,000), which will be paid to South Manganese Group within 3 business days after the fulfilment of certain conditions including, among others, the receipt of the title documents in respect of the Equipment I by Beibu Gulf Financial from South Manganese Group (“**Lease Commencement Date I**”).

Pursuant to the First Finance Lease Agreement, Beibu Gulf Financial will lease back the Equipment I to South Manganese Group for a period of 48 months (the “**Lease Period I**”) with effect from the Lease Commencement Date I. South Manganese Group shall pay the seventeen instalments in the aggregate sum of RMB33,862,712 (equivalent to approximately HK\$36,910,356) which is based on amortization schedule calculated in accordance with the Interest Rate I with effect from the Lease Commencement Date I.

### **Interest Rate I**

The Interest Rate I under the First Finance Lease Agreement is 5.42% p.a. and remains unchanged during Lease Period I.

### **Security Deposit I**

Pursuant to the First Finance Lease Agreement, a Security Deposit I of RMB1,950,000 (equivalent to approximately HK\$2,125,500) will be paid by South Manganese Group to Beibu Gulf Financial at the Lease Commencement Date I. Beibu Gulf Financial is entitled to deduct from the Security Deposit I if there is any outstanding payment or penalty resulting from any breach caused by South Manganese Group. Any outstanding Security Deposit I as at the expiry date of the Lease Period I will be refunded to South Manganese Group on the expiry date of the Lease Period I.

### **The Equipment I**

The Equipment I consists of certain machinery and equipment owned by South Manganese Group for manganese ore mining and production of electrolytic manganese metal. The original cost and net book value of the Equipment I as at 31 May 2024, was RMB32,464,198 (equivalent to approximately HK\$35,385,976) and RMB28,161,956 (equivalent to approximately HK\$30,696,532) respectively.

### **Ownership of the Equipment I during the Lease Period I**

The legal ownership of the Equipment I will be transferred to Beibu Gulf Financial despite the

Equipment I will be possessed and used by South Manganese Group during the Lease Period I.

At the end of the Lease Period I and subject to fulfillment of all of its obligations under the First Finance Lease Agreement, South Manganese Group will be entitled to purchase the Equipment I at a nominal consideration of RMB100 (equivalent to approximately HK\$109) after the Lease Period I.

### **Financial effect**

Under the applicable financial reporting standards, the transfer of the Equipment I will not be accounted for as disposal of asset in the relevant financial statements. The First Finance Lease Agreement will be accounted for as a financing arrangement of South Manganese Group.

### **REASONS AND BENEFIT FOR THE FIRST FINANCE LEASE AGREEMENT**

The First Finance Lease Agreement provides additional working capital to South Manganese Group to support its operational activities. The terms of the First Finance Lease Agreement (including the lease payments and the Security Deposit I) were determined after arm's length negotiation between the parties and by reference to, among other things, the value of the Equipment I, the purchase cost of the Equipment I and similar prevailing leasing arrangements in the market.

The Directors are of the view that the First Finance Lease Agreement and the transactions contemplated thereunder are on normal commercial terms which were made on an arm's length basis and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **(2) THE SECOND FINANCE LEASE AGREEMENT**

The Board is pleased to announce that, on 29 July 2024, South Manganese Group entered into the Second Finance Lease Agreement with Beibu Gulf Financial, pursuant to which (i) Beibu Gulf Financial has agreed to purchase the Equipment II from South Manganese Group at a consideration of RMB70,000,000 (equivalent to approximately HK\$76,300,000) and lease the Equipment II back to South Manganese Group for a period of 48 months; and (ii) South Manganese Group shall have the right to purchase the Equipment II at the nominal consideration of RMB100 (equivalent to approximately HK\$109) after the Lease Period II.

The principal terms of the Second Finance Lease Agreement are set out below:

**Date:** 29 July 2024

### **Parties**

3. South Manganese Group, as the lessee; and
4. Beibu Gulf Financial, as the lessor.

### **The Second Finance Lease**

Pursuant to the Second Finance Lease Agreement, Beibu Gulf Financial will purchase the Equipment II from South Manganese Group (free from any title defects and encumbrances) at a consideration of RMB70,000,000 (equivalent to approximately HK\$76,300,000), which will be paid to South Manganese Group within 3 business days after the fulfilment of certain conditions including, among others, the receipt of the title documents in respect of the Equipment II by Beibu Gulf Financial from South Manganese Group (“**Lease Commencement Date II**”).

Pursuant to the Second Finance Lease Agreement, Beibu Gulf Financial will lease back the Equipment II to South Manganese Group for a period of 48 months (the “**Lease Period II**”) with effect from the Lease Commencement Date II. South Manganese Group shall pay the seventeen instalments in the aggregate sum of RMB79,012,994 (equivalent to approximately HK\$86,124,163) which is based on amortization schedule calculated in accordance with the Interest Rate II with effect from the Lease Commencement Date II.

### **Interest Rate II**

The Interest Rate II under the Second Finance Lease Agreement is 5.42% p.a. and remains unchanged during Lease Period II.

### **Security Deposit II**

Pursuant to the Second Finance Lease Agreement, a Security Deposit II of RMB4,550,000 (equivalent to approximately HK\$4,959,500) will be paid by South Manganese Group to Beibu Gulf Financial at the Lease Commencement Date II. Beibu Gulf Financial is entitled to deduct from the Security Deposit II if there is any outstanding payment or penalty resulting from any breach caused by South Manganese Group. Any outstanding Security Deposit II as at the expiry date of the Lease Period II will be refunded to South Manganese Group on the expiry date of the Lease Period II.

### **The Equipment II**

The Equipment II consists of certain machinery and equipment owned by South Manganese Group for manganese ore mining and production of electrolytic manganese metal. The original cost and net book value of the Equipment II as at 31 May 2024, was RMB92,553,015 (equivalent to approximately HK\$100,882,786) and RMB60,301,573 (equivalent to approximately HK\$65,728,715) respectively.

## **Ownership of the Equipment II during the Lease Period II**

The legal ownership of the Equipment II will be transferred to Beibu Gulf Financial despite the Equipment II will be possessed and used by South Manganese Group during the Lease Period II.

At the end of the Lease Period II and subject to fulfillment of all of its obligations under the Second Finance Lease Agreement, South Manganese Group will be entitled to purchase the Equipment II at a nominal consideration of RMB100 (equivalent to approximately HK\$109) after the Lease Period II.

### **Financial effect**

Under the applicable financial reporting standards, the transfer of the Equipment II will not be accounted for as disposal of asset in the relevant financial statements. The Second Finance Lease Agreement will be accounted for as a financing arrangement of South Manganese Group.

## **REASONS AND BENEFIT FOR THE SECOND FINANCE LEASE AGREEMENT**

The Second Finance Lease Agreement provides additional working capital to South Manganese Group to support its operational activities. The terms of the Second Finance Lease Agreement (including the lease payments and the Security Deposit II) were determined after arm's length negotiation between the parties and by reference to, among other things, the value of the Equipment II, the purchase cost of the Equipment II and similar prevailing leasing arrangements in the market.

The Directors are of the view that the Second Finance Lease Agreement and the transactions contemplated thereunder are on normal commercial terms which were made on an arm's length basis and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION RELATING TO SOUTH MANGANESE GROUP AND BEIBU GULF FINANCIAL**

South Manganese Group is a company incorporated in the PRC with limited liability, which is indirectly wholly-owned by the Company and is one of market leaders in vertically integrated manganese producer that produces and sells manganese products.

Beibu Gulf Financial is a company established in the PRC and is principally engaged in finance lease business.

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, Beibu Gulf Financial and its ultimate beneficial owner(s) are third parties independent of the Company and its Connected Persons.

## **LISTING RULES IMPLICATIONS**

The highest applicable Percentage Ratio of the First Finance Lease Agreement was less than 5% and hence the First Finance Lease Agreement was exempt from the disclosure requirements under Chapter 14 of the Listing Rules.

As the First Finance Lease Agreement and the Second Finance Lease Agreement were entered into by the Group with Beibu Gulf Financial within 12 months, the transactions contemplated under the Second Finance Lease Agreement shall be aggregated with the transactions contemplated under the First Finance Lease Agreement pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable Percentage Ratio in respect of the transactions contemplated under the First Finance Lease Agreement and the Second Finance Lease Agreement on an aggregate basis is more than 5% but less than 25%, the transactions under the First Finance Lease Agreement and the Second Finance Lease Agreement constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from shareholders' approval under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Beibu Gulf Financial”	北部灣金融租賃有限公司(Beibu Gulf Financial Leasing Co., Ltd.)
“Board”	the board of Directors of the Company
“Company”	South Manganese Investment Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1091)
“Connected Persons”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Equipment I”	the equipment under the First Finance Lease Agreement as further illustrated under paragraph headed “The Equipment I” in this announcement
“Equipment II”	the equipment under the Second Finance Lease Agreement as

	further illustrated under paragraph headed “The Equipment II” in this announcement
“First Finance Lease Agreement”	The First Finance Lease agreement dated 27 June 2024 entered into between South Manganese Group and Beibu Gulf Financial
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Interest Rate I”	the interest rate under the First Finance Lease Agreement as further illustrated under paragraph headed “Interest Rate I” in this announcement
“Interest Rate II”	the interest rate under the Second Finance Lease Agreement as further illustrated under paragraph headed “Interest Rate II” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratio”	the applicable percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Second Finance Lease Agreement”	The Second Finance Lease agreement dated 29 July 2024 entered into between South Manganese Group and Beibu Gulf Financial
“Security Deposit I”	RMB1,950,000 (equivalent to approximately HK\$2,125,500)
“Security Deposit II”	RMB4,550,000 (equivalent to approximately HK\$4,959,500)
“Shareholders”	shareholders 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



“%” 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. *Unless otherwise specified and for illustration purpose only, the figures in RMB are converted into HK\$ at the rate of RMB1.00= HK\$1.09 throughout this announcement for indication purposes only. Such conversion should not be construed as a representation that the relevant currency could actually be converted into HK\$ at that rate or at all.*

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

Hong Kong, 29 July 2024

*As at the date of this announcement, the executive Directors are Mr. Li Weijian, Mr. Zhang He, Mr. Xu Xiang and Mr. Li Junji; the non-executive Directors are Ms. Cui Ling and Mr. Pan Shenghai; and the independent non-executive Directors are Mr. Zhang Yupeng, Mr. Yuan Mingliang and Mr. Lo Sze Hung.*