THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in South Manganese Investment Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

Lego Corporate Finance Limited
力高企業融資有限公司

A notice convening the SGM of South Manganese Investment Limited to be held at Event Space C, 5/F, United Centre, 95 Queensway, Hong Kong on Friday, 16 May 2025 at 11:00 a.m. is set out on pages 42 to 44 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish.

24 April 2025

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In this circular, unless the context otherwise requires, capitalised terms used shall have the following meanings:

"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 ores originated from South Africa for the period from 21 January 2022 to 31 December 2024
"Annual Caps"	the Guangxi Dameng Sales Caps and the Guangxi Dameng Purchase Caps
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"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)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"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 an indirect substantial shareholder of the Company
"Guangxi Dameng Group"	Guangxi Dameng and its subsidiaries
"Guangxi Dameng Purchase Caps"	the proposed annual caps for the transactions contemplated under the Guangxi Dameng Purchase Framework Agreement for each of the three years ending 31 December 2027

"Guangxi Dameng Purchase Framework Agreement"	the framework agreement entered into between SMH and Guangxi Dameng dated 11 March 2025, pursuant to which SMH (and/or its subsidiaries) agreed to purchase and Guangxi Dameng (and/or its subsidiaries) agreed to sell manganese ores and related products for the period from 11 March 2025 to 31 December 2027 subject to the terms and conditions thereunder
"Guangxi Dameng Sales Caps"	the proposed annual caps for the transactions contemplated under the Guangxi Dameng Sales Framework Agreement for each of the three years ending 31 December 2027
"Guangxi Dameng Sales Framework Agreement"	the framework agreement entered into between SMH and Guangxi Dameng dated 11 March 2025, pursuant to which SMH (and/or its subsidiaries) agreed to sell and Guangxi Dameng (and/or its subsidiaries) agreed to purchase manganese ores and related products for the period from 11 March 2025 to 31 December 2027 subject to the terms and conditions thereunder
"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 wholly owned by Guangxi Dameng
"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 Board Committee"	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Zhang Yupeng, Mr. Yuan Mingliang, Mr. Lo Sze Hung, Mr. Zhou Jie, Mr. Luo Guihua and Mr. Wu Qi
"Independent Financial Adviser"	Lego Corporate Finance Limited, a corporation licenced to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
"Independent Third Parties"	persons or companies which are independent of the Company and its connected persons

"Independent Shareholder(s)"	the Shareholders, other than those required by the Listing Rules to abstain from voting at the SGM in respect of the resolution(s) relating to the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
"Latest Practicable Date"	17 April 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
"Listing Rule(s)"	the Rules Governing the Listing of Securities on the Stock Exchange
"Percentage Ratios"	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 circular, 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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holders of the Shares
"SMG"	South Manganese Group Limited, a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
"SMH"	South Manganese Holdings Limited, a company incorporated in the BVI with limited liability and a wholly owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"VAT"	value added tax
"%"	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 circular, the amounts in RMB have been converted into HK$ or vice versa at the rate of RMB1.00 = HK$1.0839 for illustration purposes only. No representation is made that any amounts in HK$ or RMB have been or could have been or can be converted at the above rate or at any other rates or at all.

South Manganese Investment Limited
南方錳業投資有限公司
(incorporated in Bermuda with limited liability)
(Stock Code: 1091)

Executive Directors:
Mr. Zhang Yi *(Chairman)*
Mr. Zhang He
Mr. Xu Xiang
Mr. Liu Yang
Mr. Pan Shenghai
Ms. Cui Ling

Non-executive Director:
Mr. Huang Chuangxin

Independent Non-executive Directors:
Mr. Zhang Yupeng
Mr. Yuan Mingliang
Mr. Lo Sze Hung
Mr. Zhou Jie
Mr. Luo Guihua
Mr. Wu Qi

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
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Headquarter in Hong Kong:
Room A02, 35th Floor
United Centre
95 Queensway
Admiralty
Hong Kong

24 April 2025

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 11 March 2025 in relation to the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps); (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the SGM.

GUANGXI DAMENG SALES FRAMEWORK AGREEMENT

On 11 March 2025, SMH (a wholly-owned subsidiary of the Company) entered into the Guangxi Dameng Sales Framework Agreement with Guangxi Dameng. Pursuant to which, SMH (for itself and on behalf of its subsidiaries) agreed to sell and Guangxi Dameng (for itself and on behalf of its subsidiaries) agreed to purchase manganese ores and related products for the period from 11 March 2025 to 31 December 2027 subject to the terms and conditions therein.

Details of the principal terms of the Guangxi Dameng Sales Framework Agreement are set out as follows:

Date:	11 March 2025
Parties:	(i) SMH (as seller); and (ii) Guangxi Dameng (as purchaser)
Subject:	Pursuant to the Guangxi Dameng Sales Framework Agreement, SMH (and/or its subsidiaries) agreed to sell and Guangxi Dameng (and/or its subsidiaries) agreed to purchase manganese ores and related products, such as manganese concentrate, in an array of different (i) manganese contents; (ii) iron contents; (iii) other chemical compositions (such as phosphorus and sulfur); and (iv) sources of origin, which are widely used in steel smelting, alloy production, chemical industries and other fields. Given the non-standardised nature of the manganese ore products, the product specifications will be determined by the parties on an order-by-order basis depending on the requirements of the Guangxi Dameng Group and/or its customers.
Pricing Policy:	The transactions contemplated under the Guangxi Dameng Sales Framework Agreement will be conducted in ordinary and usual course of business and on normal commercial terms and such terms and conditions will be no less favourable than those available from Independent Third Parties.

Under the Guangxi Dameng Sales Framework Agreement, the quantity of manganese ores and related products to be purchased by the Guangxi Dameng Group is not fixed but is to be determined and agreed between the parties from time to time. The Group is not required to sell a minimum amount or any pre-defined quantity of manganese ores and related products to the Guangxi Dameng Group during the term of the Guangxi Dameng Sales Framework Agreement. In addition, the prices are not fixed and are to be determined in accordance with prevailing market prices, and through arm's length negotiation and in a fair and reasonable manner on an order-by-order basis with reference to the followings:

(i) the latest relevant market price of the comparable manganese ores and related products published by FerroAlloynet (鐵合金在線) (http://www.cnfeol.com/);

(ii) the miners' indicative prices determined by mine owners which are the origins of certain types of manganese ores, which generally do not deviate significantly from the prices through intermediaries;

(iii) the benchmark references for manganese ore transaction prices which are determined by the management at the monthly sales and pricing meeting held at the end of each month based on the Group's recent transactions and the latest market conditions of manganese ores and related products; and

(iv) at least three comparable transactions conducted with Independent Third Parties during a period of approximately three months prior to each transaction (subject to the actual number of comparable transactions during such period).

Items (i) to (iii) under the above pricing determination basis are applicable to the sales transactions of manganese ores and related products conducted by the Group with Independent Third Parties.

Term: For the period from 11 March 2025 to 31 December 2027

Conditions Precedent: The Guangxi Dameng Sales Framework Agreement is effective upon fulfilment of the following conditions precedent:

(i) the Company having obtained the approval from the Board in respect of the Guangxi Dameng Sales Framework Agreement and the transactions contemplated thereunder; and

(ii) the Company having obtained the approval from the Independent Shareholders in respect of the Guangxi Dameng Sales Framework Agreement and the transactions contemplated thereunder at the SGM.

As at the Latest Practicable Date, condition (i) has been fulfilled.

GUANGXI DAMENG PURCHASE FRAMEWORK AGREEMENT

On 11 March 2025, SMH entered into the Guangxi Dameng Purchase Framework Agreement with Guangxi Dameng. Pursuant to which, SMH (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 manganese ores and related products for the period from 11 March 2025 to 31 December 2027 subject to the terms and conditions therein.

Details of the principal terms of the Guangxi Dameng Purchase Framework Agreement are set out as follows:

Date: 11 March 2025

Parties: (i) SMH (as purchaser); and

(ii) Guangxi Dameng (as seller)

Subject: Pursuant to the Guangxi Dameng Purchase Framework Agreement, SMH (and/or its subsidiaries) agreed to purchase and Guangxi Dameng (and/or its subsidiaries) agreed to sell manganese ores and related products, such as manganese concentrate, in an array of different (i) manganese contents; (ii) iron contents; (iii) other chemical compositions (such as phosphorus and sulfur); and (iv) sources of origin, which are widely used in steel smelting, alloy production, chemical industries and other fields. Given the non-standardised nature of the manganese ore products, the product specifications will be determined by the parties on an order-by-order basis depending on the requirements of the Group and/or its customers.

Pricing Policy: The transactions contemplated under the Guangxi Dameng Purchase Framework Agreement will be conducted in ordinary and usual course of business and on normal commercial terms and such terms and conditions will be no less favourable than those available from Independent Third Parties.

Under the Guangxi Dameng Purchase Framework Agreement, the quantity of manganese ores and related products to be purchased from the Guangxi Dameng Group is not fixed but is to be determined and agreed between the parties from time to time. The Group is not required to purchase a minimum amount or any pre-defined quantity of manganese ores and related products from the Guangxi Dameng Group during the term of the Guangxi Dameng Purchase Framework Agreement. In addition, the prices are not fixed and are to be determined in accordance with prevailing market prices, and through arm's length negotiation and in a fair and reasonable manner on an order-by-order basis with reference to the followings:

(i) the latest relevant market price of the comparable manganese ores and related products published by FerroAlloynet (鐵合金在線) (http://www.cnfeol.com/);

(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;

(iii) the miners' indicative prices determined by mine owners which are the origins of certain types of manganese ores, which generally do not deviate significantly from the prices through intermediaries; and

(iv) at least three comparable transactions conducted with Independent Third Parties during a period of approximately three months prior to each transaction (subject to the actual number of comparable transactions during such period).

Items (i) to (iii) under the above pricing determination basis are applicable to the purchase transactions of manganese ores and related products conducted by the Group with Independent Third Parties.

Term: For the period from 11 March 2025 to 31 December 2027

Conditions Precedent: The Guangxi Dameng Purchase Framework Agreement is effective upon fulfilment of the following conditions precedent:

(i) the Company having obtained the approval from the Board in respect of the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder; and

(ii) the Company having obtained the approval from the Independent Shareholders in respect of the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder at the SGM.

As at the Latest Practicable Date, condition (i) has been fulfilled.

PREVIOUS CONTINUING CONNECTED TRANSACTIONS BETWEEN THE GROUP AND THE GUANGXI DAMENG GROUP IN RELATION TO MANGANESE ORES FOR THE YEARS 2022 TO 2024

Set out below are the details of the previous continuing connected transactions between the Group and the Guangxi Dameng Group in relation to manganese ores for the years 2022 to 2024 under the 2022 Guangxi Dameng Ore Agreement:

	For the year ended 31 December 2022		For the year ended 31 December 2023		For the year ended 31 December 2024	
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap	Historical amount
2022 Guangxi Dameng Ore Agreement						
Purchase of South African high grade manganese ores from the Guangxi Dameng Group	RMB92,400,000 (equivalent to HK$100,152,360)	RMB83,899,000 (equivalent to HK$90,938,126)	RMB100,000,000 (equivalent to HK$108,390,000)	RMB21,613,000 (equivalent to HK$23,426,331)	RMB100,000,000 (equivalent to HK$108,390,000)	RMB5,823,000 (equivalent to HK$6,311,550)

The transactions contemplated under the Guangxi Dameng Purchase Framework Agreement do not constitute a renewal of the previous continuing connected transactions under the 2022 Guangxi Dameng Ore Agreement given that the transactions contemplated under the Guangxi Dameng Purchase Framework Agreement include a broader product scope (i.e. manganese ores and related products in an array of different manganese contents, iron contents, other chemical compositions and sources of origin) than those under the 2022 Guangxi Dameng Ore Agreement which only included high grade manganese ores originated from South Africa. In addition, the Company and Guangxi Dameng also intended to commence the sales of manganese ores and related products by the Group to the Guangxi Dameng Group. Therefore, the Company and Guangxi Dameng considered that, instead of renewing the 2022 Guangxi Dameng Ore Agreement, new framework agreements in respect of the sales and purchases of manganese ores and related products between the Company and Guangxi Dameng are necessary to be put in place. Accordingly, the Company and Guangxi Dameng proceeded with the negotiations on the terms and conditions of the Guangxi Dameng Purchase Framework Agreement, together with the Guangxi Dameng Sales Framework Agreement, with limited reference to the 2022 Guangxi Dameng Ore Agreement.

During 1 January 2025 to 10 March 2025, there was no transaction entered into by the Group with the Guangxi Dameng Group in relation to purchase of manganese ores.

THE ANNUAL CAPS

The Guangxi Dameng Sales Caps and the Guangxi Dameng Purchase Caps are set out as follows:

	The Annual Caps		
	From 11 March 2025 to 31 December 2025	**For the year ending 31 December 2026**	**For the year ending 31 December 2027**
Guangxi Dameng Sales Caps	RMB369,200,071 (equivalent to HK$400,175,957)	RMB461,500,089 (equivalent to HK$500,219,946)	RMB553,800,106 (equivalent to HK$600,263,935)
Guangxi Dameng Purchase Caps	RMB553,800,106 (equivalent to HK$600,263,935)	RMB599,950,115 (equivalent to HK$650,285,930)	RMB738,400,142 (equivalent to HK$800,351,914)

The Guangxi Dameng Sales Caps

Save for the sales of 52,000 wet metric tonnes of manganese ores by the Group to Guangxi Dameng as disclosed in the announcement of the Company dated 7 March 2025, there was no historical transaction amount in respect of the sales of manganese ores and related products by the Group to the Guangxi Dameng Group during the past three years preceding the date of the Guangxi Dameng Sales Framework Agreement.

The Guangxi Dameng Sales Caps are determined with reference to (i) the projected sales volume of manganese ores and related products of 400,000 wet metric tonnes, 500,000 wet metric tonnes and 600,000 wet metric tonnes in 2025, 2026 and 2027, respectively, by the Group under the Guangxi Dameng Sales Framework Agreement based on the relevant demand schedule prepared by the Guangxi Dameng Group for the corresponding period with regard to its historical purchase volume of manganese ores and related products in the recent years and the generally positive prospect of the manganese industry in the future; (ii) the estimated unit price (VAT exclusive) of approximately RMB28.665 per dry metric tonne which is derived from the historical average unit price (VAT inclusive) of manganese ores of approximately RMB32.391 per dry metric tonne during the period from 1 January 2022 to 31 December 2024 as published by FerroAlloynet; (iii) the average manganese content of 35% of manganese ores from different sources of origin which may be supplied to the Guangxi Dameng Group under the Guangxi Dameng Sales Framework Agreement; and (iv) the moisture content of 8% for commercial manganese ores based on general industrial standards.

The Guangxi Dameng Purchase Caps

The Group had purchased high grade manganese ores originated from South Africa from the Guangxi Dameng Group during the period from 21 January 2022 to 31 December 2024 under the 2022 Guangxi Dameng Ore Agreement. As the primary application of South African high grade manganese ores is for producing alloying materials, the declining transaction amounts for 2023 and 2024 under the 2022 Guangxi Dameng Ore Agreement were primarily attributable to the continuous low demand for alloying materials as well as the suspension of the Group's production of alloying materials since the first half of 2024. While the Group may still purchase South African high grade manganese ores and related products from the Guangxi Dameng Group subject to its business needs and the demand of its downstream customers, it is currently expected that the manganese ores and related products to be purchased under the Guangxi Dameng Purchase Framework Agreement would primarily comprise those of other types and the Group currently has no intention to resume the production of alloying materials in the near future.

The Guangxi Dameng Purchase Caps are determined with reference to (i) the projected purchase volume of manganese ores and related products of 600,000 wet metric tonnes, 650,000 wet metric tonnes and 800,000 wet metric tonnes in 2025, 2026 and 2027, respectively, by the Group under the Guangxi Dameng Purchase Framework Agreement based on the Group's historical purchase volume in the recent years and the actual demand of the Group for the first two months of 2025 in respect of manganese ores and related products, and after taking into consideration (a) the broad product portfolios under by the Guangxi Dameng Purchase Framework Agreement covering manganese ores and related products in different manganese contents, iron contents, other chemical compositions and sources of origin; (b) the expected purchase volume of at least 50,000 wet metric tonnes per shipment per month by the Group from the Guangxi Dameng Group based on the expected monthly purchase schedule of the Group and the industrial practices of shipment in bulk; and (c) the expected growth rate of the Group's overall demands for manganese ores and related products from 2025 to 2027 after taking into account the operations of the Group and the potential market conditions of its products for business growth and development for the corresponding period; (ii) the estimated unit selling price (VAT exclusive) of approximately RMB28.665 per dry metric tonne which is derived from the historical average unit price (VAT inclusive) of manganese ores of approximately RMB32.391 per dry metric tonne during the period from 1 January 2022 to 31 December 2024 as published by FerroAlloynet; (iii) the average manganese content of 35% of manganese ores from different sources of origin which may be sourced by the Group under the Guangxi Dameng Purchase Framework Agreement; and (iv) the moisture content of 8% for commercial manganese ores based on general industrial standards.

REASONS FOR AND BENEFITS OF ENTERING INTO THE GUANGXI DAMENG SALES FRAMEWORK AGREEMENT AND THE GUANGXI DAMENG PURCHASE FRAMEWORK AGREEMENT

Sales and purchase of manganese ores and related products have been the principal business of the Group. The Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement have been entered into by the Group in its ordinary and usual course of business.

As a state-owned enterprise, Guangxi Dameng has an established industry status and market influence in the manganese industry. Guangxi Dameng has been one of the Group's long-term business partners in respect of the manganese ores and EMM products of the Group. The entering into of the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement represents the continued and strong support of Guangxi Dameng on the Group, and signifies the confidence of Guangxi Dameng, as a substantial shareholder of the Company, in the Group's core business in manganese ores and related products.

Due to the non-standardised nature of manganese ore and related products, the product specifications of customers' orders could vary. Although the Group has its own manganese mines and ore processing operations in the PRC and Gabon for the supply of manganese ores and related products of certain types, the availability of the Group's own manganese ores is not sufficient to satisfy the product specifications required by its customers. Therefore, the Group has been sourcing different manganese ores and related products from other suppliers in the market in order to broaden its product portfolios and satisfy the different product specifications demanded by its customers. Accordingly, the Guangxi Dameng Purchase Framework Agreement will provide a stable and sufficient source of the supply to the Group for a wider range of manganese ore and related products for satisfying the demands of its customers in view of the established industry status and abundant stock of manganese ores of the Guangxi Dameng Group. On the other hand, the Guangxi Dameng Sales Framework Agreement will provide an additional sales channel of the Group's manganese ores and related products. The financial strengths and vast financing channels of the Guangxi Dameng Group are also expected to lower the overall credit risk exposures of the Group. From the perspective of the Guangxi Dameng Group, it will also be able to source the manganese ores and related products from the Group to satisfy the varying demands of its customers.

Both the Group and the Guangxi Dameng Group have their own different networks of suppliers and customers. The strengthened business cooperation between the parties under the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement is mutually beneficial to both parties, allowing them to indirectly exploit each other's network of suppliers and customers, which would in turn help expand the source of supply and income of the Group and the Guangxi Dameng Group.

In view of the foregoing, as well as the pricing policy and internal control measures set out and the other information set out in this circular, the Directors (including the independent non-executive Directors having taking into consideration the advice of the Independent Financial Adviser) are of the view that: (i) the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement 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 the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 transactions contemplated under the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework 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 sales manager and 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 amounts under the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement will not exceed the Guangxi Dameng Sales Caps and the Guangxi Dameng Purchase Caps;

    (iii) any order from Guangxi Dameng (and/or its subsidiaries) needs to be approved by the sales manager before the order can be accepted by the Company (and/or its subsidiaries); and

    (iv) any offer from Guangxi Dameng (and/or its 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 and internal control department of the Group will perform monthly check on the transactions entered under the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement to ensure that the Guangxi Dameng Sales Caps and the Guangxi Dameng Purchase Caps are not exceeded.

(3) The Company's external auditors will conduct an annual review of the transactions entered into under the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework 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 Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement.

INFORMATION RELATING TO THE COMPANY, SMH 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.

SMH is a company incorporated in the BVI with limited liability, which is a wholly owned subsidiary of the Company. It is the immediate holding company of SMG which is indirectly wholly owned by the Company and is one of the market leaders in vertically integrated manganese producer that produces and sells manganese products.

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, Guangxi Dameng is a connected person of the Company. The transactions contemplated under the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable Percentage Ratios in respect of the respective maximum of the Guangxi Dameng Sales Caps and the Guangxi Dameng Purchase Caps for each of the three years ending 31 December 2027 is more than 5.0%, the transactions contemplated under each of the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement are subject to announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

FORMATION OF AN INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Independent Shareholders as a whole.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular, which contains its recommendation to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 19 to 37 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

SGM

Ordinary resolutions approving the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) shall be proposed at the SGM.

Guinan Dameng and its associates, which holds 776,250,000 Shares in aggregate, representing approximately 22.64% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the relevant resolutions in relation to the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) at the SGM as a result of having material interests therein. Save as disclosed above, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolutions at the SGM.

Mr. Pan Shenghai (executive Director), Ms. Cui Ling (executive Director) and Mr. Huang Chuangxin (non-executive Director), who are directors and/or senior management of Guangxi Dameng, have abstained from voting on the relevant board resolutions approving the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

A notice convening the SGM to be held at Event Space C, 5/F, United Centre, 95 Queensway, Hong Kong on Friday, 16 May 2025 at 11:00 a.m. is set out on pages 42 to 44 of this circular. A form of proxy for the SGM is enclosed herewith. Whether or not Shareholders are able to attend and vote at the SGM in person, they are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude Shareholders from subsequently attending and voting at the SGM or any adjourned meeting if they so wish.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 May 2025 to Friday, 16 May 2025, both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the SGM, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the SGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by no later than 4:30 p.m. on Monday, 12 May 2025.

RECOMMENDATION

The Directors (including the independent non-executive Directors having taken into consideration the advice of the Independent Financial Adviser) are of the view that (i) the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement 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 the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions set out in the notice of SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

MISCELLANEOUS

The English text of this circular and the accompanying proxy form shall prevail over the Chinese text in case of inconsistency.

Yours faithfully,
For and on behalf of the Board
South Manganese Investment Limited
Zhang Yi
Chairman

South Manganese Investment Limited
南方錳業投資有限公司
(incorporated in Bermuda with limited liability)
(Stock Code: 1091)

24 April 2025

To: the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 24 April 2025 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the transactions contemplated under the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement are conducted by the Company in its ordinary and usual course of business, are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement.

We wish to draw your attention to the letter from the Board set out on pages 5 to 16 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 37 of the Circular which contains its opinion in respect of the transactions contemplated under the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement.

Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the transactions contemplated under the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement are conducted by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolutions set out in the notice of SGM.

Yours faithfully,
Independent Board Committee of
South Manganese Investment Limited

Mr. Zhang Yupeng **Mr. Yuan Mingliang** **Mr. Lo Sze Hung**

Mr. Zhou Jie **Mr. Luo Guihua** **Mr. Wu Qi**

Independent Non-executive Directors

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which have been prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the Annual Caps.

24 April 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the Annual Caps, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 24 April 2025 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 11 March 2025. On 11 March 2025, SMH (a wholly-owned subsidiary of the Company) entered into the Guangxi Dameng Sales Framework Agreement with Guangxi Dameng, pursuant to which SMH (for itself and on behalf of its subsidiaries) agreed to sell and Guangxi Dameng (for itself and on behalf of its subsidiaries) agreed to purchase manganese ores and related products for the period from 11 March 2025 to 31 December 2027 (the "**Relevant Period**"), subject to the terms and conditions therein.

On the same date, SMH also entered into the Guangxi Dameng Purchase Framework Agreement with Guangxi Dameng, pursuant to which SMH (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 manganese ores and related products for the Relevant Period, subject to the terms and conditions therein.

As at the Latest Practicable Date, Guinan Dameng held 22.64% equity interests in the Company. Since Guinan Dameng is wholly owned by Guangxi Dameng, Guangxi Dameng is a connected person of the Company. The transactions contemplated under the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable Percentage Ratios in respect of the respective maximum of the Guangxi Dameng Sales Caps and the Guangxi Dameng Purchase Caps for each of the three years ending 31 December 2027 is more than 5.0%, the transactions contemplated under each of the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee, comprising all independent non-executive Directors, has been formed to advise the Independent Shareholders on whether or not the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the Annual Caps are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole.

OUR INDEPENDENCE

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or Guangxi Dameng or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, save for the engagement in connection with the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the Annual Caps, there was no engagement between the Group and Lego Corporate Finance Limited. As at the Latest Practicable Date, apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements existed whereby we had received or would receive any fees or benefits from the Company or Guangxi Dameng. Accordingly, we are qualified to give independent advice in respect of the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the "**Management**"); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular were true at the time they were made and have continued to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truthfulness, accuracy and completeness of the information and representations provided to us by the Directors and/or the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management were true, accurate, complete and not misleading in all material respects at the time they were made and have continued to be so until the date of the Circular.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or Guangxi Dameng or any of their respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

1. Reasons for and benefits of entering into the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement

The Group is principally engaged in the mining and production of manganese products, downstream processing operations including EMM and alloying materials production as well as battery materials production, and trading of various commodities such as manganese ores, EMM and manganese alloys, etc. As advised by the Management, manganese ores are an essential element for the Group's business operations and are typically divided into different types based on the originating mines, characteristics, gradings and natures, which usually have different applications across diverse end-use markets. Currently, the Group operates five manganese mines and ore processing operations in the PRC and Gabon which produce different manganese ores and related products of certain types, including primarily Gabon manganese ores. Those manganese ores and related products are then either sold or utilised further in the Group's downstream processing operations in the PRC to facilitate the production of other products, including but not limited to EMM, alloy materials and battery materials, which are ultimately sold by the Group to trading companies and downstream manufacturers.

According to the listing prospectus of the Company dated 8 November 2010 and the Letter from the Board, Guangxi Dameng is a state-owned enterprise and the Guangxi Dameng Group is principally engaged in, among others, manganese mining and processing, EMM production, battery production, accessories manufacturing and export trade. With an establishment history of more than 20 years, the Guangxi Dameng Group has an established industry status and currently operates in two manganese mines and ore processing operations in South Africa which offer a wide range of manganese ores and related products of different types, including those that are not currently self-produced by the Group. With reference to the official information of Guangxi Dameng obtained from the public domain, the Guangxi Dameng Group controls substantial manganese ore reserves and has been actively engaged in developing new mining resources to further expand its product offering.

As at the Latest Practicable Date, Guangxi Dameng was the second largest Shareholder holding approximately 22.64% equity interests in the Company. Based on our discussions with the Management, the Group has maintained a stable business cooperative relationship with the Guangxi Dameng Group for over 15 years, during which the Group has been satisfied with the quality of products supplied by the Guangxi Dameng Group. In order to demonstrate the confidence and support of the Guangxi Dameng Group in the Group, it is the mutual intention of the Guangxi Dameng Group and the Group to further enhance the business cooperations with each other from 2025 onwards. Based on the Letter from the Board, the products to be sold and purchased by the Group pursuant to the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement, respectively, shall include manganese ores and related products, such as manganese concentrate, in an array of different manganese contents, iron contents, other chemical compositions and sources of origins. Currently, while the Group has been relying upon its manganese mines and ore processing operations in the PRC and Gabon for the supply of manganese ores and related products of certain types, the availability of the Group's own manganese ores are not sufficient to satisfy the product specifications required by its customers, and the Group has also been sourcing different manganese products and related products from other suppliers in the market, subject to various factors, including but not limited to the prices of the products offered by such suppliers, the types and grading of products demanded by the customers, as well as the availability of the Group's internal stocks.

Accordingly, leveraging on the offering of a wide range of manganese ores and related products of the Guangxi Dameng Group, the entering into of the Guangxi Dameng Purchase Framework Agreement would allow the Group to broaden its supply network and product range by securing a stable source of supply of manganese ores and related products through a long-term agreement for carrying out its ordinary and usual course of business and meet the varying requirements of the customers. Also, the diversified supplier network would provide the Group with the option to evaluate competitive pricing from multiple suppliers (including the Guangxi Dameng Group), as well as the flexibility to source the products either externally or via self-production, where applicable, subject to the prices offered by the suppliers (including the Guangxi Dameng Group) and the relevant production cost.

It is expected that the established industry status and abundant stock of manganese ores of the Guangxi Dameng Group will provide a stable and sufficient source of supply to the Group under the Guangxi Dameng Purchase Framework Agreement. On the other hand, considering the established industry status of the Guangxi Dameng Group and its in-depth relationship with the local government authorities, the entering into of the Guangxi Dameng Sales Framework Agreement would allow the Group to expand its sales channel of manganese ores and related products with a relatively low credit risk exposure.

Further, considering the respective different networks of suppliers and customers of the Group and the Guangxi Dameng Group, the strengthened business cooperations between the parties under the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement would be mutually beneficial to both parties, allowing them to indirectly exploit each other's network of suppliers and customers, which would in turn help expand the source of supply and income of the Group and the Guangxi Dameng Group.

In light of the above, we are of the view that the entering into of the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement are within the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole.

2. Principal terms of the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement

2.1. The Guangxi Dameng Sales Framework Agreement

On 11 March 2025, SMH (a wholly-owned subsidiary of the Group) entered into the Guangxi Dameng Sales Framework Agreement with Guangxi Dameng, pursuant to which SMH (for itself and on behalf of its subsidiaries) has conditionally agreed to sell manganese ores and related products to the Guangxi Dameng Group for the Relevant Period. As disclosed in the Letter from the Board, among others, the prices to be charged by the Group to the Guangxi Dameng Group under the Guangxi Dameng Sales Framework Agreement will be determined through arm's length negotiations in accordance with the prevailing market prices.

According to the Letter from the Board, save for the agreement dated 7 March 2025 entered into by a subsidiary of the Company with Guangxi Dameng in relation to sale of manganese ores, details of which are set out in the announcement of the Company dated 7 March 2025 (the "**Sales Agreement**"), no previous transactions had been conducted by the Group with the Guangxi Dameng Group in respect of sales of manganese ores and related products comparable to those under the Guangxi Dameng Sales Framework Agreement.

In assessing the fairness and reasonableness of the pricing terms of the Guangxi Dameng Sales Framework Agreement, we have enquired with the Management and learnt that the pricing to be charged to the Guangxi Dameng Group under the Guangxi Dameng Sales Framework Agreement shall be determined with reference to, where available, the then latest relevant market price of the comparable manganese ores and related products to be published by FerroAlloynet (鐵合金在線) (*https://www.cnfeol.com/)* on its website, and in any case shall be no less favourable to the Group than those offered to Independent Third Parties in respect of sales of manganese ores and related products with comparable specifications. In the event that the above reference market price is not available, the pricing to be charged to the Guangxi Dameng Group under the Guangxi Dameng Sales Framework Agreement shall be determined with reference to the pricing recently charged by the Group to Independent Third Parties in respect to sales of manganese ores and related products with comparable specifications, and in any case shall be no less favourable to the Group than those offered to Independent Third Parties.

For our due diligence purpose, we have conducted research on the background of FerroAlloynet from the public domain, and noticed that FerroAlloynet is a cooperative online platform of the National Development and Reform Commission Price Monitoring Centre of the PRC (中華人民共和國國家發改委價格監測中心) (the "**PRC Price Monitoring Centre**") which provides, among others, market information, price trends analysis and industry development relating to steel, ferroalloy, minerals and metal fields, and the relevant market prices are updated daily on its official website. Further, based on our independent research conducted, it is noted that FerroAlloynet has been previously made reference to and quoted in the public documents, including but not limited to announcements of other listed companies on the Stock Exchange. Taking into account (i) the recognition of FerroAlloynet by the PRC Government as demonstrated by it being a cooperative online platform of the PRC Price Monitoring Centre; and (ii) that FerroAlloynet is not an uncommon source of reference among other listed companies on the Stock Exchange, we consider that FerroAlloynet is a creditable source of reference and the data as quoted therefrom is reliable.

In carrying out our assessment, we have further reviewed (i) the executed copy of the Sales Agreement; and (ii) three randomly selected agreements previously entered into by the Group with Independent Third Parties customers in respect of its sale of comparable manganese ores within approximately three months prior to the date of the Sales Agreement. Based on our review, the pricing charged by the Group under the Sales Agreement is no less favourable to the Group than those offered by the Group to the Independent Third Parties customers.

Further, the Group has adopted internal control measures to ensure the compliance of the above pricing mechanism, details of which are set out in the sub-section headed "INTERNAL CONTROL MEASURES" of the Letter from the Board. Among others, we noted that segregation of duties will be applied by the Group at different stages of the Guangxi Dameng Sales Framework Agreement. In particular, the keeping of the relevant documents and the approval for accepting any orders to be placed by the Guangxi Dameng Group will be performed by the sales manager of the Group, whereas the monthly review on the transactions thereunder will be performed separately by the finance department and the internal control department of the Group, thereby preventing any department from gaining complete control over the pricing and approval processes and reducing the risks of frauds and errors. In addition, other internal control measures are implemented by the Group in order to govern the conduct of the transactions under the Guangxi Dameng Sales Framework Agreement, including the monitoring of the aggregate transaction amount incurred primarily by the sales manager of the Group, and the annual review of the transactions by the auditors of the Company and the independent non-executive Directors.

For our due diligence purpose, we have reviewed several documents in respect of the aforesaid procedures including the internal control manual of the Group in respect of connected transactions as well as the internal documents of the Group showing prior approvals granted by different departments before entering into the Sales Agreement together with the names and positions of the approving personnels and the respective approval dates and times, and we are not aware of any facts or circumstances which would cause us to raise concerns on the internal control measures of the Group in respect of the transactions contemplated under the Guangxi Dameng Sales Framework Agreement. Based on the above, we are of the view that there are effective internal control measures in place to govern the conduct of the transactions contemplated under the Guangxi Dameng Sales Framework Agreement and safeguard the interests of the Independent Shareholders.

Accordingly, taking into account that (i) the pricing to be charged by the Group to the Guangxi Dameng Group under the Guangxi Dameng Sales Framework Agreement shall be no less favourable to the Group than those offered to Independent Third Parties in respect of manganese ores and related products with comparable specifications; (ii) the pricing charged by the Group under the Sales Agreement to the Guangxi Dameng Group is no less favourable to the Group than those offered by the Group to Independent Third Parties customers in respect of manganese ores and related products with comparable specifications; and (iii) the internal control measures implemented by the Group to govern the conduct of the transactions under the Guangxi Dameng Sales Framework Agreement which, in our view are effective as aforesaid analysed, we are of the view that the terms of the Guangxi Dameng Sales Framework Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

2.2. The Guangxi Dameng Purchase Framework Agreement

On 11 March 2025, SMH (a wholly-owned subsidiary of the Group) entered into the Guangxi Dameng Purchase Framework Agreement with Guangxi Dameng, pursuant to which SMH (for itself and on behalf of its subsidiaries) has conditionally agreed to purchase manganese ores and related products from the Guangxi Dameng Group for the Relevant Period. As disclosed in the Letter from the Board, among others, the prices to be charged to the Group by the Guangxi Dameng Group under the Guangxi Dameng Purchase Framework Agreement will be determined through arm's length negotiations in accordance with the prevailing market prices.

As advised by the Management, save for the purchase of high grade manganese ores under the 2022 Guangxi Dameng Ore Agreement by the Group from the Guangxi Dameng Group during the period from 21 January 2022 up to and including 31 December 2024 (the "**Review Period**"), no previous transactions had been conducted by the Group recently with the Guangxi Dameng Group in respect of purchase of manganese ores and related products comparable to those under the Guangxi Dameng Purchase Framework Agreement during the past three years preceding the date of the Guangxi Dameng Purchase Framework Agreement.

In assessing the fairness and reasonableness of the pricing terms of the Guangxi Dameng Purchase Framework Agreement, we have enquired with the Management and learnt that the pricing to be charged to the Group under the Guangxi Dameng Purchase Framework Agreement shall be determined with reference to, where available, the then latest market price of the comparable manganese ores and related products to be published by FerroAlloynet (鐵合金在線) (*https://www.cnfeol.com/)* on its website, and in any case shall be no less favourable to the Group than those offered from Independent Third Parties in respect of the purchase of manganese ores and related products with comparable specifications. In the event that the above reference market price is not available, the pricing to be charged to the Group under the Guangxi Dameng Purchase Framework Agreement shall be determined with reference to the pricing recently charged to the Group by Independent Third Parties in respect to the purchase of manganese ores and related products with comparable specifications, and in any case shall be no less favourable to the Group than those offered from Independent Third Parties suppliers.

Considering that the subject manganese ores and related products to be purchased by the Group from the Guangxi Dameng Group under the Guangxi Dameng Purchase Framework Agreement shall cover, among others, high grade manganese ores comparable to those purchased by the Group under the 2022 Guangxi Dameng Ore Agreement, we have made reference to the pricing offered to the Group under the 2022 Guangxi Dameng Ore Agreement for our analysis purpose. Specifically, we have randomly selected and reviewed certain individual agreements (the "**Sample Agreements**") entered into by the Group with the Guangxi Dameng Group under the 2022 Guangxi Dameng Ore Agreement in respect of the purchase of high grade manganese ores by the Group from the Guangxi Dameng Group during the Review Period, the underlying aggregate transaction amount of which has accounted for not less than 20% of the total transaction amount conducted under the 2022 Guangxi Dameng Ore Agreement, and the agreements previously entered by the Group with Independent Third Parties suppliers in respect of its purchase of comparable manganese ores within approximately three months prior to the dates of the respective Sample Agreements. Based on our review, the pricing charged under the Sample Agreements are no less favourable to the Group than those offered by Independent Third Parties suppliers.

Further, the Group has adopted internal control measures to ensure the compliance of the above pricing mechanism, further details of which are set out in the sub-section headed "INTERNAL CONTROL MEASURES" of the Letter from the Board. Among others, it is noted that segregation of duties will be applied by the Group at different stages of the Guangxi Dameng Purchase Framework Agreement. Specifically, the keeping of relevant documents and the approval for accepting any offers to be made by the Guangxi Dameng Group will be performed by the purchasing manager of the Group, whereas the monthly review on the transactions thereunder will be performed separately by the finance department and the internal control department of the Group, thereby preventing any department from gaining complete control over the pricing and approval processes and reducing the risks of frauds and errors. In addition, other internal control measures are implemented by the Group in order to govern the conduct of the transactions under the Guangxi Dameng Purchase Framework Agreement, including the monitoring of the aggregate transaction amount incurred primarily by the purchasing manager of the Group, and the annual review of the transactions by the auditors of the Company and the independent non-executive Directors.

For our due diligence purpose, we have reviewed several documents in respect of the aforesaid procedures including the internal control manual of the Group in respect of connected transactions as well as the internal documents of the Group showing prior approvals granted by different departments before entering into the Sample Agreements together with the names and positions of the approving personnels and the respective approval dates and times, and we are not aware of any facts or circumstances which would cause us to raise concerns on the internal control measures of the Group in respect of the transactions contemplated under the Guangxi Dameng Purchase Framework Agreement. In light of the foregoing, we are of the view that there are effective internal control measures in place to govern the conduct of the transactions contemplated under the Guangxi Dameng Purchase Framework Agreement and safeguard the interests of the Independent Shareholders.

Accordingly, taking into account that (i) the pricing to be charged to the Group under the Guangxi Dameng Purchase Framework Agreement shall be no less favourable to the Group than those offered by Independent Third Parties suppliers in respect of the purchase of manganese ores and related products with comparable specifications; (ii) the pricing charged to the Group under the 2022 Guangxi Dameng Ore Agreement is no less favourable to the Group than those offered by Independent Third Parties suppliers in respect of the purchase of high grade manganese ores with comparable specifications; and (iii) the internal control measures implemented by the Group to govern the conduct of the transactions under the Guangxi Dameng Purchase Framework Agreement which, in our view are effective as analysed above, we are of the view that the terms of the Guangxi Dameng Purchase Framework Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

3. The Annual Caps

3.1. The Guangxi Dameng Sales Caps

The Guangxi Dameng Sales Caps for the period from 11 March 2025 up to and including 31 December 2025 (the "**2025 Relevant Period**"), 2026 and 2027 amount to RMB369,200,071, RMB461,500,089 and RMB553,800,106, respectively, demonstrating a generally increasing trend throughout the Relevant Period.

In assessing the fairness and reasonableness of the determination of the Guangxi Dameng Sales Caps, we have reviewed the relevant calculations provided by the Management, and noted that the Guangxi Dameng Sales Caps were primarily determined with reference to the estimated transaction amounts of sale of manganese ores and related products under the Guangxi Dameng Sales Framework Agreement during the Relevant Period, which are in turn primarily determined based on, among others, (i) the estimated volume of manganese ores and related products to be sold to the Guangxi Dameng Group under the Guangxi Dameng Sales Framework Agreement (the "**Estimated Sales Volume(s)**") during the Relevant Period; and (ii) the estimated unit price of manganese ores to be charged to the Guangxi Dameng Group during the Relevant Period (the "**Estimated Unit Selling Price**").

(i) The Estimated Sales Volumes for the Relevant Period

According to the Letter from the Board, the Estimated Sales Volumes for the 2025 Relevant Period, 2026 and 2027 are expected to be 400,000 wet metric tonnes, 500,000 wet metric tonnes and 600,000 wet metric tonnes, respectively.

In deriving the Estimated Sales Volumes for the Relevant Period, the Management has primarily considered, among others, the estimated demand for manganese ores and related products of the Guangxi Dameng Group (the "**Estimated Guangxi Dameng Overall Demand(s)**") for the Relevant Period provided by the Guangxi Dameng Group with regard to its historical purchase volume in recent years and the generally positive prospects of the manganese industry. We noted that the Estimated Sales Volumes are generally estimated by the Group based on the Estimated Guangxi Dameng Overall Demand during the Relevant Period provided by the Guangxi Dameng Group. Further, it is noted that based on the actual demand for the first two months of 2025 of the Guangxi Dameng Group, the implied proportionate demand of the Guangxi Dameng Group for manganese ores and related products for the 2025 Relevant Period of approximately 10 months is expected to significantly represent 90% of the corresponding Estimated Guangxi Dameng Overall Demand for the relevant period. Further, we noted that the respective Estimated Sales Volumes of 400,000 wet metric tonnes, 500,000 wet metric tonnes and 600,000 wet metric tonnes for the 2025 Relevant Period, 2026 and 2027 are expected to account for portions ranging from approximately 15.0% to 26.7% of the respective corresponding Estimated Guangxi Dameng Demands for the 2025 Relevant Period, 2026 and 2027.

In assessing the fairness and reasonableness of the determination of the Estimated Sales Volumes, we have further conducted independent research on the general prospects of the manganese market from the public domain. According to an article named "Future outlook on manganese ore capacity and supply-demand changes" published on 24 September 2024 by Shanghai Metals Market (*http://www.smm.cn*), an integrated internet platform provider of market information of the metal and mining industry with headquarters located in Shanghai, the PRC, the global demand for manganese is expected to continue growing in the next 10 to 20 years, with a potential shift in demand structure from steelmaking to lithium-ion batteries production. Additionally, a consistent trend has been observed from the report named "Manganese ore market size & share, by grade – global supply & demand analysis, growth forecasts, statistics report 2025-2037" published on 9 October 2024 by Research Nester (*https://www.researchnester.com/*), a global consulting firm providing searches and insights into different major industries with its headquarters located in New York, according to which the manganese ore market size is expected to exhibit a cumulative average growth rate of over 6.2% during the period from 2025 towards 2037, demonstrating a generally positive prospects of the manganese industry.

As advised by the Management, it is crucial for manganese ores manufacturers, including the Group and the Guangxi Dameng Group, to broaden their product portfolios beyond the offerings derived from the self-owned mines in order to meet the diverse requirements of the downstream industries and to strengthen their competitive edge within the evolving industry. As mentioned in the sub-section headed "1. Reasons for and benefits of entering into the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement" above in this letter, it is the mutual intention between the Group and the Guangxi Dameng Group to enhance the business collaborations with each other from 2025 onwards. On 7 March 2025, a subsidiary of the Company entered into the Sales Agreement with Guangxi Dameng in relation to the sale of 52,000 wet metric tonnes of manganese ores, representing 13.0% of the Estimated Sales Volume of 400,000 wet metric tonnes for the 2025 Relevant Period, or on a conservative basis by assuming that the sales volume of approximately 52,000 wet metric tonnes under the Sales Agreement was incurred within one month, the implied proportionate sales volume for the 2025 Relevant Period of approximately 10 months amounts to approximately 520,000 wet metric tonnes, exceeding the corresponding Estimated Sales Volume of 400,000 wet metric tonnes by 30%. While the entering into of the Sales Agreement represents the first milestone of the enhanced collaborations between the Group and the Guangxi Dameng Group, as advised by the Management, in order to demonstrate the support to the Group and to leverage on the Group's supply of manganese ores and related products of other types not being internally supplied by the Guangxi Dameng Group, it would be the ongoing business priority for the Guangxi Dameng Group to further strengthen the business collaborations with the Group by increasingly sourcing manganese ores and related products under the Guangxi Dameng Sale Framework Agreement during the Relevant Period.

Accordingly, taking into account (i) that the proportionate demand of the Guangxi Dameng Group for manganese ores and related products for the 2025 Relevant Period of approximately 10 months, as implied based on the actual demand for the first two months of 2025, is expected to significantly represent 90% of the corresponding Estimated Guangxi Dameng Overall Demand for such period; (ii) the generally positive prospects of the manganese industry; (iii) that the sales volume of approximately 52,000 wet metric tonnes sold by the Group to the Guangxi Dameng Group under the Sales Agreement represents 13.0% of the Estimated Sales Volume of 400,000 wet metric tonnes for the 2025 Relevant Period, and the proportionate sales volume to be incurred for the 2025 Relevant Period of approximately 10 months, as implied based on the actual sales volume of approximately 52,000 wet metric tonnes under the Sales Agreement incurred within approximately one month on a conservative basis, has exceeded the corresponding Estimated Sales Volume of 400,000 wet metric tonnes by 30.0%; and (iv) the ongoing business intention of the Guangxi Dameng Group to strengthen the business collaborations with the Group and broaden its product portfolio, we are of the view that the determination of the Estimated Sales Volumes is fair and reasonable.

(ii) The Estimated Unit Selling Price

As advised by the Management, the Estimated Unit Selling Price was principally determined based on, among others, an adopted manganese content of 35% and the VAT-inclusive historical average unit market price of manganese ores of approximately RMB32.391 per dry metric tonne during the period from 1 January 2022 up to and including 31 December 2024. For our due diligence purpose, we have enquired with the Management and learnt that the manganese ores currently supplied by the Group generally have manganese contents that approximate to 35%, and that it is expected that the manganese contents of those manganese ores to be sold to the Guangxi Dameng Group under the Guangxi Dameng Sales Framework Agreement during the Relevant Period will continue to be generally approximate to 35%. Further, we have made reference to the relevant unit price of manganese ores for the period from 1 January 2022 up to and including 31 December 2024 as published by FerroAlloynet, and noticed that the VAT-inclusive average unit price of the relevant manganese ores of the aforesaid period amounts to approximately RMB35.99 per dry metric tonne, which is comparable to the VAT-inclusive unit selling price of approximately RMB32.391 as adopted in compiling the Guangxi Dameng Sales Caps. Accordingly, we are of the view that the determination of the Estimated Unit Selling Price is fair and reasonable.

In light of the foregoing, we are of the view that the determinations of the Guangxi Dameng Sales Caps throughout the Relevant Period are fair and reasonable.

3.2. The Guangxi Dameng Purchase Caps

The Guangxi Dameng Purchase Caps for the 2025 Relevant Period, 2026 and 2027 amount to RMB533,800,106, RMB599,950,115 and RMB738,400,142, respectively.

In assessing the fairness and reasonableness of the determination of the Guangxi Dameng Purchase Caps, we have reviewed the relevant calculations provided by the Management, and noted that the Guangxi Dameng Purchase Caps were primarily determined with reference to the estimated transaction amounts of purchase of manganese ores and related products under the Guangxi Dameng Purchase Framework Agreement during the Relevant Period, which are in turn primarily determined based on (i) the estimated volume of manganese ores and related products to be purchased by the Group under the Guangxi Dameng Purchase Framework Agreement (the "**Estimated Purchase Volume(s)**") during the Relevant Period; and (ii) the estimated unit price of manganese ores to be payable by the Guangxi Dameng Group during the Relevant Period (the "**Estimated Unit Purchase Price**").

(iii) The Estimated Purchase Volumes for the Relevant Period

According to the Letter from the Board, the Estimated Purchase Volumes for the 2025 Relevant Period, 2026 and 2027 are expected to be 600,000 wet metric tonnes, 650,000 wet metric tonnes and 800,000 wet metric tonnes, respectively.

In deriving the Estimated Purchase Volumes for the Relevant Period, the Management has primarily considered, among others, the estimated volume of manganese ores and related products to be demanded by the Group (the "**Estimated Group Overall Demand(s)**") during the Relevant Period based on the Group's historical purchase volume in recent years and the actual demand of the Group for the first two months of 2025. We have, in this regard, reviewed the demand schedule of the Group, from which we noted that the Estimated Group Overall Demand of the Group for 2025 overall is expected to approximate to the actual demand for 2024, and such demand is expected to exhibit an increasing trend at annual growth rates ranging from approximately 7.7% to 8.3% throughout the two years ending 31 December 2027.

In assessing the fairness and reasonableness of the determination of the Estimated Group Overall Demand during the Relevant Period, we have primarily made reference to the corresponding historical demand of the Group for the first two months of 2025. According to the demand schedule of the Group, based on the actual demand of the Group for the first two months of 2025, the implied proportionate demand of the Group for 2025 overall is expected to be more than twice of each of the actual demand of the Group for 2024 and the Estimated Group Overall Demand for 2025.

Also, in addition to the generally positive future prospects of the manganese industry as analysed in the sub-section above headed "3.1. The Guangxi Dameng Sales Caps" of this letter, we have further made reference to the recent development of the related businesses of the Group. Specifically, according to the annual results announcement of the Company dated 14 March 2025 for the financial year ended 31 December 2024, revenue of the Group for 2024 has been primarily contributed by the segment of trading of commodities including manganese ores, followed by the segment of EMM and alloying materials production and the segment of battery materials production. In respect of the segment of trading of commodities, segmental revenue recorded by the Group has decreased by approximately 26.3% for 2024 as compared to 2023. As advised by the Management, the aforesaid year-on-year decrease in the segmental revenue was primarily due to the fact that less trading activities have been conducted in 2024 as compared to 2023 as the Group has failed to adjust its sales strategy timely and sell certain commodities at the most appropriate time. Going forward, the Group would gradually adjust the sales strategies of its trading operation. In respect of the segment of EMM and alloying materials production, sales volume of EMM products of the Group has increased year-on-year by approximately 11.5% in 2024 despite the then downturn of the property market in the PRC, whereas sales volume of alloying materials has decreased substantially year-on-year by approximately 82.9% in 2024 primarily due to the suspension of production of alloying materials by the Group since first half of 2024. Further, sales volume of battery materials of the Group has increased year-on-year by approximately 12.8% in 2024 primarily due to, among others, the strong demand for lithium-ion batteries in the PRC.

For reference purpose only, we have further analysed the Group's demand for manganese ores and related products as purchased from the Guangxi Dameng Group during the period from 2022 to 2024, which solely included the high grade manganese ores originated from South Africa purchased under the 2022 Guangxi Dameng Ore Agreement as previously explained in the sub-section headed "2.2 The Guangxi Dameng Purchase Framework Agreement" of this letter, as well as the utilisation of the annual caps under the 2022 Guangxi Dameng Ore Agreement in relation to the purchase of high grade manganese ores by the Group from the Guangxi Dameng Group. As advised by the Management, the purchase of South African high grade manganese ores made by the Group from the Guangxi Dameng Group during each of the years from 2022 to 2024 has accounted for less than 1% of the corresponding actual demand of the Group for all manganese ores and related products for the same corresponding year. On the other hand, according to the Letter from the Board, the historical transaction amounts conducted under the 2022 Guangxi Dameng Ore Agreement amounted to RMB83,899,000, RMB21,613,000 and RMB5,823,000, respectively, for 2022, 2023 and 2024, representing respective utilisation rates of the respective annual caps of approximately 90.8%, 21.6% and 5.8%. We have, in this regard, enquired with the Management and learnt that the primary application of South African high grade manganese ores is for producing alloying materials, and the relatively low proportions of the Group's demands as sourced from the Guangxi Dameng Group for the period from 2022 to 2024 and the relatively low utilisation rates for 2023 and 2024 were primarily resulted from the continuous low demand for alloying materials as well as the suspension of the Group's production of alloying materials since the first half of 2024.

With reference to the Letter from the Board, the transactions contemplated under the Guangxi Dameng Purchase Framework Agreement do not constitute a renewal of transactions contemplated under the 2022 Guangxi Dameng Ore Agreement, and the Company has made limited reference to the 2022 Guangxi Dameng Ore Agreement when negotiating the terms and conditions of the Guangxi Dameng Purchase Framework Agreement. While the Group may consider purchasing South African high grade manganese ores and related products from the Guangxi Dameng Group subject to its business needs and the demand of its downstream customers, it is currently expected that the manganese ores and related products to be purchased under the Guangxi Dameng Purchase Framework Agreement would primarily comprise those of other types and the Group currently has no intention to resume the production of alloying materials in the near future.

Taking into account the above and that, among others, (i) the manganese ores purchased by the Group from the Guangxi Dameng Group during the period from 2022 to 2024 only comprised South African high grade manganese ores, being the subject products purchased under the 2022 Guangxi Dameng Ore Agreement, whereas the Group had also purchased manganese ores and related products of other types (including high grade manganese ores from other sources of origin) from other suppliers during the relevant period; (ii) as further explained below, while the Group and the Guangxi Dameng Group have had business cooperative relationships for more than 15 years, the mutual intention between the parties to foster the collaborations with each other was merely reached recently with respect to 2025 onwards; (iii) unlike the 2022 Guangxi Dameng Ore Agreement, the subject products entitled to be purchased by the Group under the Guangxi Dameng Purchase Framework Agreement shall have a relatively broader product portfolio including manganese ores and related products in different manganese contents, iron contents, other chemical compositions and sources of origin; and (iv) limited reference has been made by the Company to the 2022 Guangxi Dameng Ore Agreement when negotiating the terms and conditions of the Guangxi Dameng Purchase Framework Agreement, we therefore consider that the relatively low proportions of the Group's demands for manganese ores and related products as sourced from the Guangxi Dameng Group during the year from 2022 to 2024 and the relatively low utilisation rates of the annual caps under the 2022 Guangxi Dameng Ore Agreement in 2023 and 2024 are of little relevance for the determination of the Guangxi Dameng Purchase Caps.

Accordingly, considering (i) that the proportionate demand of the Group for manganese ores and related products for 2025, as implied based on the actual demand of the Group for the first two months of 2025, is expected to be more than twice of each of the actual demand of the Group for 2024 and the Estimated Group Overall Demand for 2025; (ii) the generally positive future prospects of the manganese industry; (iii) the year-on-year increase in the sales volume of EMM products and battery materials of the Group in 2024; (iv) that the Group would gradually adjust the sales strategies of its trading operation in the future; and (v) the relatively low utilisation rates of the annual caps under the 2022 Guangxi Dameng Ore Agreement in 2023 and 2024 are of little relevance for determining the Guangxi Dameng Purchase Caps, we are of the view that the determination of the Estimated Group Overall Demand, which is expected to exhibit annual growth rates ranging from approximately 7.7% to 8.3% throughout the two years ending 31 December 2027, is justifiably fair and reasonable.

It is noted that the Estimated Purchase Volumes of 600,000 wet metric tonnes, 650,000 wet metric tonnes and 800,000 wet metric tonnes for the 2025 Relevant Period, 2026 and 2027, respectively, are expected to account for portions ranging from approximately 25.0% to 28.6% of the respective corresponding Estimated Group Overall Demands for 2025, 2026 and 2027. As discussed previously, it is utterly important for the Group, as a manganese manufacturer, to develop a diverse product offering in order to meet the various needs of the downstream industries and to maintain its competitiveness within the industry, and that it was the mutual intention reached between the Group and the Guangxi Dameng Group recently to enhance the business collaborations with each other from 2025 onwards. With a long and stable cooperative relationship of more than 15 years and the consistent satisfaction with the quality of products previously provided by the Guangxi Dameng Group, the Group considers the entering into of the Guangxi Dameng Purchase Framework Agreement an opportunity for it to expand the supplier network as well as the product range by sourcing manganese ores and related products of both types that can be, and cannot be, internally supplied by the Group from the Guangxi Dameng Group, and is planning to foster the business collaborations with the Guangxi Dameng Group by increasingly sourcing its demand for the manganese ores and related products under the Guangxi Dameng Purchase Framework Agreement during the Relevant Period. Accordingly, considering the above and that the relatively low portions of the Group's demand for manganese ores and related products as sourced from the Guangxi Dameng Group from 2022 to 2024 would be of little relevance for determining the Guangxi Dameng Purchase Caps, we are of the view that the adopted portions of the respective Estimated Group Overall Demands for 2025, 2026 and 2027 to be contributed by the respective corresponding Estimated Purchase Volumes, which are estimated to range from approximately 25.0% to 28.6%, are fair and reasonable.

Accordingly, considering that (i) the generally increasing trend of the Estimated Group Overall Demand during the Relevant Period as supported by, among others, the relatively solid actual demand of the Group for manganese ores and related products during the first two months of 2025, the generally positive future prospects of the manganese industry and the year-on-year increases in the sales volumes of EMM products and battery materials; and (ii) the estimated portions of the respective Estimated Group Overall Demands for 2025, 2026 and 2027 to be contributed by the respective corresponding Estimated Purchase Volumes as supported by the ongoing business intentions of the Group to expand its product range and intensify the business collaborations with the Group, each in our view is fair and reasonable, we are of the view that the determination of the Estimated Purchase Volumes is fair and reasonable.

(iv) The Estimated Unit Purchase Price

As advised by the Management, the Estimated Unit Purchase Price was principally determined based on, among others, an adopted manganese content of 35% and the VAT-inclusive historical average unit market price of manganese ores of approximately RMB32.391 per dry metric tonne during the period from 1 January 2022 up to and including 31 December 2024. For our due diligence purpose, we have enquired with the Management and learnt that the manganese ores and related products currently demanded by the Group generally have manganese contents that approximate to 35%, and that it is expected that the manganese contents of those manganese ores and related products to be purchased from the Guangxi Dameng Group under the Guangxi Dameng Purchase Framework Agreement during the Relevant Period will continue to be generally approximate to 35%. In addition, we have made reference to the relevant unit price of manganese ores for the period from 1 January 2022 up to and including 31 December 2024 as published by FerroAlloynet, and noticed that the VAT-inclusive average unit price of the relevant manganese ores of the aforesaid period amounts to approximately RMB35.99 per dry metric tonne, which is comparable to the VAT-inclusive average unit purchase price of approximately RMB32.391 as adopted in compiling the Guangxi Dameng Purchase Caps. Accordingly, we are of the view that the determination of the Estimated Unit Purchase Price is fair and reasonable.

In light of the foregoing, we are of the view that the determinations of the Guangxi Dameng Purchase Caps throughout the Relevant Period are fair and reasonable.

RECOMMENDATIONS

Having considered the principal factors and reasons as discussed above, we are of the view that the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the Annual Caps will be conducted in the ordinary and usual course of business of the Group, and the terms of the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the Annual Caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Guangxi Dameng Sales Framework Agreement, the Guangxi Dameng Purchase Framework Agreement and the Annual Caps.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Kristie Ho
Managing Director

Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the securities and investment banking industries.

1 RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2 INTEREST IN SECURITIES

(A) Directors' and chief executive's interests

As at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(B) Substantial Shareholders' interests

Save as disclosed below, as at the Latest Practicable Date, none of the shareholders (other than Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Name	*Notes*	Capacity and nature of interest	Number of Shares held (a)	Approximate percentage of the Company's issued share capital	Number of share options held
Sun Mingwen	*(b)*	Through a controlled corporation	994,260,000 (L)	29.00	–
Youfu Investment Co., Ltd	*(b)*	Directly beneficially interested	994,260,000 (L)	29.00	–
Guangxi Dameng Manganese Industrial Co., Ltd	*(c)*	Through a controlled corporation	776,250,000 (L)	22.64	–
Guinan Dameng International Resources Limited	*(c)*	Directly beneficially interested	776,250,000 (L)	22.64	–
Ma Xuedong	*(d)*	Through a controlled corporation	184,740,000 (L)	5.39	–
Feng Xiang Investment Co., Ltd.	*(d)*	Directly beneficially interested	184,740,000 (L)	5.39	–

Notes:

(a) The letter "L" denotes the long position in such Shares.

(b) Youfu Investment Co., Ltd. is wholly owned by Mr. Sun Mingwen.

(c) Guinan Dameng International Resources Limited is wholly owned by Guangxi Dameng.

(d) Feng Xiang Investment Co., Ltd is wholly owned by Mr. Ma Xuedong.

3 DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

Save as disclosed below, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

	Name of substantial shareholder of the Company	**Position in the substantial shareholder of the Company**
Mr. Pan Shenghai	Guangxi Dameng	Vice general manager
Ms. Cui Ling	Guangxi Dameng	Director
Mr. Huang Chuangxin	Guangxi Dameng	Head of international business department

4 DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5 DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as of the Latest Practicable Date and which was significant in relation to the business of the Group; and none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2024, being the date to which the latest published audited financial statements of the Company were made up.

6 DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business which competed, or was likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

7 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8 MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, had been entered into by the Group within the two years preceding the Latest Practicable Date and which are or may be material:

(i) the finance Lease agreement dated 27 June 2024 entered into between SMG and Beibu Gulf Financial Leasing Co., Ltd.;

(ii) the finance lease agreement dated 29 July 2024 entered into between SMG and Beibu Gulf Financial Leasing Co., Ltd.; and

(iii) the placing agreement dated 11 April 2025 entered into between the Company and Prudential Brokerage Limited.

9 LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

10 EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Lego Corporate Finance Limited	a corporation licenced to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above expert:

(a) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and references to its name, in the form and context in which they appear;

(b) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

11 GENERAL

(1) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(2) The head office and principal place of business of the Company is at Room A02, 35th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong.

(3) The share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(4) The secretary of the Company is Mr. Leung Chit Yu, who is a a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

12 DOCUMENTS ON DISPLAY

A copy of each of the Guangxi Dameng Sales Framework Agreement and the Guangxi Dameng Purchase Framework Agreement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.southmn.com) for a period of 14 days from the date of this circular.

South Manganese Investment Limited
南方錳業投資有限公司
(incorporated in Bermuda with limited liability)
(Stock Code: 1091)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting ("**SGM**") of South Manganese Investment Limited (the "**Company**") will be held at Event Space C, 5/F, United Centre, 95 Queensway, Hong Kong on 16 May 2025 at 11:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the Guangxi Dameng Sales Framework Agreement (as defined in the circular of the Company dated 24 April 2025 relating to the continuing connected transactions (the "**Circular**"), a copy of which will be produced to the meeting and marked "A" and initialed by the chairman of the SGM for the purpose of identification), the terms and the transactions contemplated thereunder together with the Guangxi Dameng Sales Caps (as defined in the Circular) as set out in the Circular be and are hereby approved, confirmed and ratified; and

   (b) any director, company secretary or the authorised person(s) of the Company be and is (are) hereby authorised on behalf of the Company to sign, seal and execute all such other documents and agreements and to do all such acts and things as he/she may in his/her discretion consider necessary or desirable or expedient to implement and/or to give effect to the Guangxi Dameng Sales Framework Agreement and the transactions thereby contemplated as well as the proposed annual caps."

2. "**THAT**

(a) the Guangxi Dameng Purchase Framework Agreement (as defined in the Circular), a copy of which will be produced to the meeting and marked "B" and initialed by the chairman of the SGM for the purpose of identification), the terms and the transactions contemplated thereunder together with the Guangxi Dameng Purchase Caps (as defined in the Circular) as set out in the Circular be and are hereby approved, confirmed and ratified; and

(b) any director, company secretary or the authorised person(s) of the Company be and is (are) hereby authorised on behalf of the Company to sign, seal and execute all such other documents and agreements and to do all such acts and things as he/she may in his/her discretion consider necessary or desirable or expedient to implement and/or to give effect to the Guangxi Dameng Purchase Framework Agreement and the transactions thereby contemplated as well as the proposed annual caps."

By Order of the Board
South Manganese Investment Limited
Zhang Yi
Chairman

Hong Kong, 24 April 2025

Headquarter in Hong Kong:
Room A02,
35th Floor,
United Centre,
95 Queensway,
Admiralty,
Hong Kong

Notes:

(1) Any member of the Company entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

(2) A form of proxy for use at the SGM is enclosed.

(3) To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be returned to Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish.

(4) The transfer books and register of members will be closed from Tuesday, 13 May 2025 to Friday, 16 May 2025, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 12 May 2025.

(5) If there are joint registered holders of a Share, any one of such joint holders may vote at the SGM, either personally or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders is present at the SGM personally or by proxy, that one of the joint holders so present whose name stands first in the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

As at the date of this circular, the executive Directors are Mr. Zhang Yi, Mr. Zhang He, Mr. Xu Xiang, Mr. Liu Yang, Mr. Pan Shenghai and Ms. Cui Ling; the non-executive Director is Mr. Huang Chuangxin; and the independent non-executive Directors are Mr. Zhang Yupeng, Mr. Yuan Mingliang, Mr. Lo Sze Hung, Mr. Zhou Jie, Mr. Luo Guihua and Mr. Wu Qi.