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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)

**DEBT REDUCTION PROPOSAL
AND
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening the SGM of South Manganese Investment Limited to be held at Event Space F, 5/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 9 July 2025 at 11:00 a.m. is set out on pages 6 to 7 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.

No gifts, food or beverages will be provided at the SGM.

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DEFINITIONS

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

“2024 Annual Report”	the annual report of the Company for the year ended 31 December 2024
“Board”	the board of Directors
“Company”	南方錳業投資有限公司 (South Manganese Investment Limited), a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1091.HK)
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the debt reduction proposal
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

LETTER FROM THE BOARD



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. 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
Bermuda

Headquarter in Hong Kong:

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

19 June 2025

To the Shareholders

Dear Sir/Madam,

DEBT REDUCTION PROPOSAL AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 4 June 2025 in relation to the debt reduction proposal.

The purpose of this circular is to provide the Shareholders with the information regarding the debt reduction proposal and the notice convening the SGM.

LETTER FROM THE BOARD

MATTER TO BE CONSIDERED AT THE SGM

The resolution to be proposed at the SGM for consideration and approval by Shareholders is an ordinary resolution to consider and approve the debt reduction proposal.

Details of the matter to be considered at the SGM are set out in the Appendix on page 5 of this circular.

SGM

An ordinary resolution approving the debt reduction proposal shall be proposed at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting at the SGM for the resolution to be proposed.

A notice convening the SGM to be held at Event Space F, 5/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 9 July 2025 at 11:00 a.m. is set out on pages 6 to 7 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.

All votes of resolution at the SGM will be taken by poll pursuant to the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 July 2025 to Wednesday, 9 July 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 Thursday, 3 July 2025.

RECOMMENDATION

The Directors consider that the resolution set out in the notice of SGM for consideration and approval by Shareholders is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the resolution to be proposed at the SGM.

LETTER FROM THE BOARD

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.

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

TO CONSIDER AND APPROVE THE DEBT REDUCTION PROPOSAL

With reference to the 2024 Annual Report, the Group recorded, among others, (i) total borrowings of approximately HK\$3,945.6 million as at 31 December 2024 (2023: HK\$5,120.6 million); (ii) net current liabilities of approximately HK\$1,659.4 million as at 31 December 2024 (2023: HK\$891.3 million); (iii) gearing ratio of approximately 167.07% as at 31 December 2024 (2023: 162.96%); and (iv) finance costs of approximately HK\$144.8 million for the year ended 31 December 2024 (2023: HK\$243.2 million).

In view of the Group's current high debt level and heavy financial leverage which are unfavorable to the robustness of the overall capital structure and future financing flexibility of the Group, the Directors consider that it is in the interest of the Company and the Shareholders as a whole to adopt the debt reduction proposal with the aims to enhance the Company's credit rating, reduce the Group's finance costs, improve the Group's cash flows and strengthen the Group's capital structure.

Under the premise of ensuring normal operations of the Group, the debt reduction proposal involves the following key aspects:

- (a) Use of funds – prioritizing the use the Group's available free cash flows each financial year to repay its bank and other borrowings and revitalize its assets, thereby optimizing the short-term and long-term debt structure and alleviating the liquidity pressure of the Group;
- (b) Debt reduction target – Reducing the Group's indebtedness by RMB300 million to RMB500 million per year, and lower the Group's gearing ratio to 50% or below in the next five years; and
- (c) Annual review – the Board will review the implementation status of the debt reduction proposal annually and dynamically adjusts the Group's funding plans to achieve the debt reduction target.

The debt reduction proposal has been considered and approved by the Board. The Board hereby submits the resolution regarding the debt reduction proposal to the SGM for the Shareholders' consideration and approval, thereby granting the Directors the authority to implement the debt reduction proposal.

NOTICE OF SPECIAL GENERAL MEETING



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 F, 5/F, United Centre, 95 Queensway, Hong Kong on 9 July 2025 at 11:00 a.m. for considering and, if thought fit, approving the following resolution:

ORDINARY RESOLUTION

1. To consider and approve the debt reduction proposal.

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

Hong Kong, 19 June 2025

Headquarter in Hong Kong:

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

NOTICE OF SPECIAL GENERAL MEETING

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 Friday, 4 July 2025 to Wednesday, 9 July 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 Thursday, 3 July 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.
- (6) No gifts, food or beverages will be provided at the SGM.

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. Yuan Mingliang, Mr. Lo Sze Hung, Mr. Zhou Jie, Mr. Luo Guihua and Mr. Wu Qi.