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**MMG LIMITED**

**五礦資源有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(STOCK CODE: 1208)**

## CONNECTED TRANSACTIONS KINSEVERE EXPANSION PROJECT

MMG has approved, and is progressing, the development of the Kinsevere Expansion Project at the Kinsevere Mine which includes the installation of new facilities and associated processing methodology involving a concentrator plant, roaster system and cobalt processing circuit into which the existing SX-EW plant will be integrated.

It has recently come to the attention of the Company that certain contracts entered into by its subsidiary MMG Kinsevere with a connected person in April 2022 were not disclosed in accordance with Chapter 14A of the Listing Rules. In April 2022, MMG Kinsevere awarded contracts for the construction, and procurement of materials required for the construction, of a new administration facility and the relocation of existing facilities for use by the Kinsevere Expansion Project team at the Kinsevere Mine to a third party. That party then appointed a connected person of the Company, MCC23, as its subcontractor for the procurement of materials. MCC23 was authorised to execute the Materials Purchase Agreements on behalf of the third party, and therefore entered into the Materials Purchase Agreements directly with MMG Kinsevere. At the time of the execution of the Materials Purchase Agreements, the Company incorrectly classified this transaction as not being subject to compliance with Chapter 14A of the Listing Rules.

As MCC23 is a subsidiary of CMC, the controlling shareholder of the Company, it is an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the Materials Purchase Agreements constitute connected transactions for the Company and should have been disclosed at the time they were executed.

The Materials Purchase Agreements were subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules as some of the relevant percentage ratios were more than 0.1% (but less than 5%), when aggregated with the Pre-Existing Connected Transactions at the time the Materials Purchase Agreements were aggregated.

Accordingly, the Directors (including the independent non-executive Directors but excluding the Interested Directors) have ratified the Materials Purchase Agreements.

## **MATERIALS PURCHASE AGREEMENTS**

MMG has approved, and is progressing, the development of the Kinsevere Expansion Project at the Kinsevere Mine. It has recently come to the attention of the Company that certain contracts entered into by its subsidiary MMG Kinsevere with a connected person in April 2022 were not disclosed in accordance with Chapter 14A of the Listing Rules. On 22 April 2022, MMG Kinsevere and MCC23 entered into the Materials Purchase Agreements for the procurement of materials required for the construction of a new administrative building and the relocation of existing facilities or use by the Kinsevere Expansion Project team at the Kinsevere Mine. The principal terms of the Materials Purchase Agreements are set out below.

### **Materials Purchase Agreement – New Facilities**

- Parties : (1) MMG Kinsevere  
(2) MCC23
- Term : Approximately 6 months from the date of execution of the agreement (22 April 2022).
- Scope : To undertake the procurement of materials to enable the construction of a new administrative facility at Kinsevere for use by the Kinsevere Expansion Project team, and to support the inspection process. The materials to be procured included plateworks, pipes, fittings, brackets, bolts, gaskets, cables, pipe racks and steel structures.
- Consideration : Estimated payment of US\$2.2 million (contract sum), of which US\$1.76 million had been paid at the date of this announcement.
- Payment terms : Procurement
- Advance Payment: 20% of the contract sum payable 14 days after receipt of an advance payment guarantee.
  - FOB Chinese Port Payment: up to 80% of the value of each shipment within 30 business days after receipt of required documentation.
  - Payment upon delivery to site: 15% of the value of each shipment.
  - Final Payment: remaining 5% of cumulative value of all shipments payable upon issue of Practical Completion Payment Certificate.
- Management
- Advance Payment: 20% of service and management fee (US\$200,000 of contract sum) shall be made within 30 business days after the Commencement Date.
  - Monthly Payment: 5% of the service and management fee shall be paid monthly, over 16 months.

5% of contract sum deposit retained as warranty guarantee for release at expiry of defects liability period of construction agreement (12 months).

## Materials Purchase Agreement – Relocation of Existing Facilities

Parties	:	(1) MMG Kinsevere (2) MCC23
Term	:	Approximately 6 months from the date of execution of the agreement (22 April 2022).
Scope	:	To undertake the procurement of materials to enable the relocation of existing facilities at Kinsevere for use by the Kinsevere Expansion Project team, and to support the construction process.
Consideration	:	Lump sum payment of US\$1.0 million (contract sum), of which US\$820,000 has been paid as at the date of this announcement.
Payment terms	:	Payment upon delivery to site: 85% of the value of each batch payable 30 days after the goods arrive at site.

Final payment: 15% of the cumulative value of all shipments will be divided into three milestone payments:

- 5% of the total value of the goods shall be released when all Completion Tests have been completed successfully and the Practical Completion Certificate has been issued for the Works;
- 5% of the total value of the goods will be released in the Practical Completion Payment Certificate; and
- 5% will be released promptly after the expiry of the Defects Liability Period.

5% of contract sum deposit retained as warranty guarantee and will release after the expiry of defects liability period of construction agreement.

In order to determine who to award the Materials Purchase Agreements to, MMG Kinsevere conducted a public tender process. After receiving a number of proposals from parties with capability in the DRC and the PRC, MMG assessed their commercial proposals and experience in similar projects in the DRC to determine the best outcome for MMG Kinsevere. MMG Kinsevere awarded the contracts for the construction, and procurement of materials required for the construction to a third party. That party then appointed a connected person of the Company, MCC23, as its subcontractor for the procurement of materials. MCC23 was authorised to execute the Materials Purchase Agreements on behalf of the third party, and therefore entered into the Materials Purchase Agreements directly with MMG Kinsevere. At the time of the execution of the Materials Purchase Agreements, the Company incorrectly classified this transaction as not being subject to compliance with Chapter 14A of the Listing Rules.

The terms of the Materials Purchase Agreements were arrived at after arm's length negotiations between MMG Kinsevere and the third party construction works contractor. MMG Kinsevere assessed that the terms of the Materials Purchase Agreements are reasonable, commercial and at least as favourable to MMG Kinsevere as those of other independent parties taking part in the tender process.

## **REASONS FOR AND BENEFITS OF THE MATERIALS PURCHASE AGREEMENTS**

The entering into of the Materials Purchase Agreements has the benefit of delivery of goods necessary for the construction of the concentrator plant for the Kinsevere Expansion Project on terms that are in the commercial interests of the Group.

The terms of the Materials Purchase Agreements have been reviewed and approved by the Directors (including the independent non-executive Directors but excluding the Interested Directors), who are of the view that the terms of the Materials Purchase Agreements and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Interested Directors, each holding position(s) at CMC and/or CMN and/or CMCL, have abstained from voting on the Board resolution approving the Materials Purchase Agreements in order to avoid any possible conflicts of interest.

## **LISTING RULES IMPLICATIONS**

MCC23 is an indirect wholly owned subsidiary of owned subsidiary of CMCL, which is a wholly-owned subsidiary of CMC, the controlling shareholder of the Company. MCC23 is therefore an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the Materials Purchase Agreements constitute connected transactions for the Company.

Pursuant to Rule 14A.76(2) of the Listing Rules, as some of the relevant percentage ratios in respect of the Materials Purchase Agreements are more than 0.1% but less than 5%, when aggregated with the Pre-Existing Connected Transactions, is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **MEASURES ADOPTED BY THE COMPANY FOR FUTURE COMPLIANCE**

The Directors consider that the failure to comply with the requirements under Chapter 14A of the Listing Rules on a timely basis in respect of the Materials Purchase Agreements was an inadvertent oversight and an isolated event. In order to avoid the occurrence of similar events in the future, the Company will strengthen the engagement protocols with the personnel within the Company who are responsible for contracting on behalf of the Company and improve the guidance provided to the business in respect of the types of transactions that are subject to the Hong Kong Listing Rules.

## **INFORMATION ABOUT THE GROUP**

The Group is engaged in exploration, development and mining of copper, zinc, gold, silver and lead deposits around the world.

## INFORMATION ABOUT CONNECTED PERSONS

MCC23 is a subsidiary of Minmetals Land Holdings Co., Ltd. which is a wholly-owned subsidiary of CMCL. CMCL is a wholly-owned subsidiary of CMC. MCC23 is primarily involved in the supply of construction and real estate development services and mining and civil infrastructure to the mining and other industries.

## DEFINITIONS

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

associate	has the meaning ascribed to it under the Listing Rules
Board	the board of Directors
CMC	中國五礦集團有限公司 (China Minmetals Corporation), a state-owned enterprise incorporated under the laws of the PRC and the ultimate controlling shareholder of the Company
CMCL	中國五礦股份有限公司 (China Minmetals Corporation Limited), a state-owned enterprise incorporated under the laws of the PRC and a controlling shareholder of the Company
CMN	五礦有色金屬股份有限公司 (China Minmetals Non-ferrous Metals Company Limited), a company incorporated under the laws of the PRC and the controlling shareholder of the Company
Company or MMG	MMG Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed and traded on the Main Board of the Stock Exchange
connected person	has the meaning ascribed to it under the Listing Rules
controlling shareholder	has the meaning ascribed to it under the Listing Rules
CRIMM	Changsha Research Institute of Mining and Metallurgy Co., Ltd., a company incorporated in the PRC and a wholly owned subsidiary of CMC
Director(s)	the director(s) of the Company
DRC	Democratic Republic of Congo
Group	the Company and its subsidiaries from time to time
Hong Kong	the Hong Kong Special Administrative Region of the PRC

Interested Directors	Jiao Jian, Zhang Shuqiang, Xu Jiqing and Li Liangang
Kinsevere Expansion Project	the project that will mine and process the copper sulphide and cobalt resource located at the Kinsevere mine
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Materials Purchase Agreements	the agreements dated 22 April 2022 between MMG Kinsevere and MCC23 for the the purchase of materials for the construction of new administrative facilities and the relocation of existing facilities at the Kinsevere Expansion Project
MCC23	五礦二十三冶建設集團有限公司 (The 23rd Metallurgical Construction Group Co., Ltd.), a company incorporated under the laws of PRC and a subsidiary of Minmetals Land Holdings Co., Ltd. which is an indirect wholly-owned subsidiary of CMC
MCC Group	China Metallurgical Group Corporation, a company incorporated in PRC and a wholly owned subsidiary of CMC
MCC Ltd.	Metallurgical Corporation of China Ltd., a Hong Kong and Shanghai dual-listed company, and a subsidiary of the MCC Group
Mining Design Services Agreement	the services agreement dated 1 April 2022 between MMG Kinsevere and NETC for preliminary design of mine infrastructure construction and development for Sokoroshe, a satellite mining site for the Kinsevere mine
MMG Kinsevere	MMG Kinsevere SARL, a company incorporated in DRC and a wholly owned subsidiary of the Company
NETC	Northern Engineering & Technology Corporation (Dalian), a company incorporated in PRC and a subsidiary of MCC Ltd.
PRC	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
Pre-Existing Connected Transactions	other connected transactions with connected persons providing services to the Kinsevere Expansion Project preceding the date of the Materials Purchase Agreements and as referred to in the Company’s announcement dated 12 July 2022, being the Supply of Cobalt Thickeners Agreement and the Mining Design Services Agreement
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

Supply of Cobalt Thickeners  
Agreement

the equipment supply agreement dated 1 April 2022 between MMG  
Kinsevere and CRIMM for the supply of cobalt thickeners

%

per cent.

By order of the Board  
**MMG Limited**  
**Li Liangang**  
*Interim CEO and Executive Director*

Hong Kong, 20 March 2023

*As at the date of this announcement, the Board comprises seven directors, one of which is an executive director, namely Mr Li Liangang; three are non-executive directors, namely Mr Jiao Jian (Chairman), Mr Zhang Shuqiang and Mr Xu Jiqing; and three are independent non-executive directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan and Mr Chan Ka Keung, Peter.*