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洛阳钼业
洛陽欒川鉬業集團股份有限公司
CMOC Group Limited*

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03993)

**CONTINUING CONNECTED TRANSACTIONS UNDER
THE CATL PRODUCT SALES AND
PROCUREMENT FRAMEWORK AGREEMENT
AND
THE KFM SALES AND PROCUREMENT FRAMEWORK AGREEMENT**

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



RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

THE CONTINUING CONNECTED TRANSACTIONS

On 27 October 2023, the Board approved CMOC Limited, a wholly-owned subsidiary of the Company, to enter into the CATL Product Sales and Procurement Framework Agreement with CATL with a term from the date of the agreement to 31 December 2024, subject to the Independent Shareholders' approval at the EGM, pursuant to which, (i) CMOC Limited Group agrees to sell and CATL Group agrees to purchase metal products, including but not limited to copper, cobalt, nickel and lithium products; and (ii) CMOC Limited Group agrees to purchase and CATL Group agrees to sell metal products, including but not limited to nickel products. As at the date of this announcement, the above CATL Product Sales and Procurement Framework Agreement has not been executed yet, and the Company will make an announcement in due course once a definitive agreement is entered into.

On 27 October 2023, the Board approved the Company to enter into the KFM Sales and Procurement Framework Agreement with KFM Holding and KFM Mining, which are both connected subsidiaries of the Company, with a term from the date of the agreement to 31 December 2024, subject to the Independent Shareholders' approval at the EGM, pursuant to which, (i) CMOC Group agrees to purchase and KFM Group agrees to sell copper and cobalt products; and (ii) CMOC Group agrees to sell and KFM Group agrees to purchase the equipment, materials, relevant services, etc. As at the date of this announcement, the above KFM Sales and Procurement Framework Agreement has not been executed yet, and the Company will make an announcement in due course once a definitive agreement is entered into.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CATL is a substantial shareholder of the Company. KFM Holding is ultimately owned as to 75% and 25% by the Company and CATL, respectively, and KFM Mining is a subsidiary of KFM Holding. CATL, KFM Holding and KFM Mining are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under (i) the CATL Product Sales and Procurement Framework Agreement between CMOC Limited Group and CATL Group; and (ii) the KFM Sales and Procurement Framework Agreement between CMOC Group and KFM Group shall constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratios in respect of the proposed annual caps of (i) the transactions under the CATL Product Sales and Procurement Framework Agreement; and (ii) the transactions under the KFM Sales and Procurement Framework Agreement exceed 5%, such transactions would constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules, and are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Lin Jiuxin and Mr. Jiang Li, both have offices in CATL and/or its associates, and in order to avoid the perception of a conflict of interest, each of them had abstained from voting on the Board resolutions to approve the Agreements. Save as disclosed above, none of the other Directors has a material interest in the Agreements or holds any position in CATL and/or its associates which would require them to abstain from voting on the relevant Board resolutions.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua, all of whom are independent non-executive Directors) has been formed to advise and provide recommendations to the Independent Shareholders in respect of the Agreements and the proposed transactions contemplated thereunder (including the proposed annual caps thereto).

In addition, the Company has appointed Rainbow Capital as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreements and the proposed transactions contemplated thereunder (including the proposed annual caps thereto) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and whether they are in the interests of the Company and the Shareholders as a whole.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) a letter from the Board setting out further details on the Agreements and the proposed transactions contemplated thereunder; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 17 November 2023.

I. THE CATL CONTINUING CONNECTED TRANSACTIONS

On 27 October 2023, the Board approved CMOC Limited, a wholly-owned subsidiary of the Company, to enter into the CATL Product Sales and Procurement Framework Agreement with CATL with a term from the date of the agreement to 31 December 2024, subject to the Independent Shareholders' approval at the EGM, pursuant to which, (i) CMOC Limited Group agrees to sell and CATL Group agrees to purchase metal products, including but not limited to copper, cobalt, nickel and lithium products; and (ii) CMOC Limited Group agrees to purchase and CATL Group agrees to sell metal products, including but not limited to nickel products. As at the date of this announcement, the above CATL Product Sales and Procurement Framework Agreement has not been executed yet, and the Company will make an announcement in due course once a definitive agreement is entered into.

Principle Terms of the CATL Product Sales and Procurement Framework Agreement

Parties	(a) CMOC Limited; and (b) CATL
Term	From the date of the agreement to 31 December 2024
Subject Matter	(i) CMOC Limited Group agrees to sell and CATL Group agrees to purchase metal products, including but not limited to copper, cobalt, nickel and lithium products; and (ii) CMOC Limited Group agrees to purchase and CATL Group agrees to sell metal products, including but not limited to nickel products.
Subsequent Agreements	CMOC Limited Group and CATL Group will enter into the individual subsequent agreements with respect to each transaction contemplated under the CATL Product Sales and Procurement Framework Agreement according to the principles prescribed thereunder (the “ CATL Subsequent Agreement(s) ”).
Pricing Policies	(1) <i>As for the products to be provided by CMOC Limited Group to CATL Group</i>

It is agreed that the price for each lot of the products purchased by CATL Group under each CATL Subsequent Agreement should be determined on the basis of market-based pricing principle, subject to certain adjustments mainly involving the cost of funds, the basic pricing coefficient, the moisture content, the percentage of metal content and the impurity element content in the metals. The agreed price shall be determined after arm's length negotiation between both parties to ensure that the price is fair and reasonable and on normal commercial terms.

Pursuant to the CATL Subsequent Agreement, if CATL Group shall make prepayment for certain proposed transactions, CMOC Limited Group shall pay interests on such prepayments. The interest rate will be determined by both parties to the contract through amicable consultations with reference to the U.S. bond yield and fixed rate of interest rate swaps at a margin of no more than 2% over the U.S. bond yield of same maturity, and taking into account factors including the parties' respective financing costs and the Federal Reserve's view on the trend of interest rates.

In 2021, the Company acquired KFM Copper and Cobalt Mine, a world-class undeveloped copper and cobalt mine, and reached a strategic partnership with CATL on a new energy project. To achieve production of KFM Copper and Cobalt Mine, the Company needs to make significant capital investment. Taking into account CATL's demand for stable supply of new energy metal resources, the Company's development costs, and the bulk nature of the metal products, therefore it is an industry norm for both parties to reach a prepayment agreement in usual course of business. CATL provides prepayment with reference to the market interest rate (referred as the interest rate pricing mentioned above). For further details of the prepayment and its interest rate, please refer to the section headed "Interests to be paid by CMOC Limited Group to CATL Group in relation to the prepayment" below.

(2) *As for the products to be purchased by CMOC Limited Group from CATL Group*

It is agreed that the price for each lot of the products purchased by CMOC Limited Group under each CATL Subsequent Agreement should be determined on the basis of market-based pricing principle, subject to certain adjustments mainly involving the cost of funds, the basic pricing coefficient, the moisture content, the percentage of metal content and the impurity element content in the metals. The agreed price shall be determined after arm's length negotiation between both parties to ensure that the price is fair and reasonable and on normal commercial terms.

The market price of copper, cobalt, nickel and lithium products refers to (i) the copper price quoted by LME (<https://www.lme.com/>); or (ii) the cobalt price quoted by Fastmarkets (<https://www.fastmarkets.com/>) multiplied by the relevant price coefficient; or (iii) the nickel price quoted by LME multiplied by the low range of the mixed hydroxide nickel coefficient published by Mysteel (<https://www.mysteel.net/>); or (iv) the lithium price quoted by Shanghai Metals Market (<https://www.smm.cn/>). The price will be determined with reference to the sales price charged by other well-known mining companies in the place of sale or receiving market, as well as recognized commodity trading indexes comparable to LME or Fastmarkets (such as SMM Information & Technology Co., Ltd., Shanghai Futures Exchange or the Chicago Mercantile Exchange).

Historical Transaction Amounts and Annual Caps

CMOC Limited entered into an agreement with CATL on 28 July 2023 in relation to the sales and procurement of products by CMOC Limited Group to/from CATL Group for the year ending 31 December 2023 (the “**Existing CATL Product Sales and Procurement Framework Agreement**”), please refer to the announcements of the Company dated 23 July 2023 and 28 July 2023 for details.

Existing annual caps

The existing annual caps for the transactions contemplated under the Existing CATL Product Sales and Procurement Framework Agreement for the year ending 31 December 2023 are set out as follows:

	Existing Annual Cap for the Year Ending 31 December 2023 (US\$ million)
Products to be sold by CMOC Limited Group to CATL Group	260
Products to be purchased by CMOC Limited Group from CATL Group	10
Interests to be paid by CMOC Limited Group to CATL Group in relation to the prepayment	80

Historical transaction amounts and the utilization rate of the existing annual caps

As at 31 August 2023, the historical transaction amounts and the utilization rate of the existing annual caps under the Existing CATL Product Sales and Procurement Framework Agreement for the year ending 31 December 2023 are as follows:

	Historical Transaction Amount for the Year Ending 31 December 2023 as at 31 August 2023 ⁽¹⁾ (US\$ million)	Utilization Rate of the Existing Annual Cap for the Year Ending 31 December 2023 as at 31 August 2023 ⁽¹⁾ (%)
Products sold by CMOG Limited Group to CATL Group	15.36	5.91
Products purchased by CMOG Limited Group from CATL Group	0	0
Interests paid by CMOG Limited Group to CATL Group in relation to the prepayment	8.52	10.65

(1) The historical transaction amount and utilization rate of the existing annual cap disclosed in the table only include the numbers for the period from 28 July 2023 to 31 August 2023.

Historical transaction amounts between CMOG Limited Group and CATL Group

The historical transaction amounts between CMOG Limited Group and CATL Group for the two years ended 31 December 2022 and for the eight months ended 31 August 2023 are as follows:

	Historical Transaction Amount for the Year Ended 31 December 2021 (US\$ million)	Historical Transaction Amount for the Year Ended 31 December 2022 (US\$ million)	Historical Transaction Amount for the Eight Months Ended 31 August 2023 (US\$ million)
Products sold by CMOG Limited Group to CATL Group	160.35	213.99	16.44
Products purchased by CMOG Limited Group from CATL Group	51.55	54.03	0.05
Interests paid by CMOG Limited Group to CATL Group in relation to the prepayment	0	94.80	66.82

Reasons for revising the annual caps

Due to the acceleration of the actual construction and production progress of the Company's Congo (DRC) projects, the amount of continuing connected transactions between the Company and CATL from 28 July 2023 (being the date of entering into of the Existing CATL Product Sales and Procurement Framework Agreement) to the date of this announcement was higher than expected. Based on the above-mentioned transactions, the annual caps for 2023 were adjusted.

Termination of the Existing CATL Product Sales and Procurement Framework Agreement

The Existing CATL Product Sales and Procurement Framework Agreement will be terminated and replaced and superseded by the CATL Product Sales and Procurement Framework Agreement subject to the approval at the EGM. All transactions, agreements and other documents entered into by CMOG Limited and CATL pursuant to the Existing CATL Product Sales and Procurement Framework Agreement will be governed by the terms of the CATL Product Sales and Procurement Framework Agreement.

As the actual construction and production progress of the Company's Congo (DRC) project have accelerated, the Company calculated the annual caps for the transaction amount based on the expected continuing connected transactions with CATL Group from 2023 to 2024, and adjusted and determined the annual caps of the continuing connected transactions from 2023 to 2024 based on the above factors.

The annual caps for the transactions contemplated under the CATL Product Sales and Procurement Framework Agreement for the two years ending 31 December 2024 are set out as follows:

	Annual Cap for the Year Ending 31 December 2023 (US\$ million)	Annual Cap for the Year Ending 31 December 2024 (US\$ million)
Products to be sold by CMOG Limited Group to CATL Group	1,500	1,800
Products to be purchased by CMOG Limited Group from CATL Group	600	600
Interests to be paid by CMOG Limited Group to CATL Group in relation to the prepayment	120	110

Basis for Determining the Proposed Annual Caps

Products to be sold by CMOG Limited Group to CATL Group

The following factors have been taken into account in determining the proposed annual caps for the two years ending 31 December 2024: (a) the estimated production volume of copper, cobalt, nickel and lithium products of the Group in the future; (b) the expected demand of CATL Group in terms of the copper, cobalt, nickel and lithium products provided by CMOG Limited Group; and (c) the fluctuation of the price of and demand for copper, cobalt, nickel and lithium products. The proposed annual caps are then arrived at by the estimated quantity of copper, cobalt, nickel and lithium products to be supplied by CMOG Limited Group to CATL Group for the two years ending 31 December 2024 multiplied by the respective unit market price of copper, cobalt, nickel and lithium products.

In the first half of 2023, the production volume of KFM Copper and Cobalt Mine, which is one of the largest and highest-grade cobalt mines in the world, amounted to approximately 29,818 tonnes of copper products and 9,264 tonnes of cobalt products. The average production capacity of KFM Copper and Cobalt Mine for the year ending 31 December 2023 is expected to be approximately 86,000 tonnes of copper products and 29,000 tonnes of cobalt products. As such, the amount of the products to be purchased by CMOG Group from KFM Group is expected to increase largely in 2024. In addition, KFM Copper and Cobalt Mine is projected to exceed the designed production capacity for the year ending 31 December 2024 after considering its current production capacity, the expected increase in production efficiency after one-year operation and economies of scale. The quantity of copper and cobalt products to be supplied by CMOG Limited Group to CATL Group for the two years ending 31 December 2024 is then estimated based on the expected production capacity of KFM Copper and Cobalt Mine and the expected demand of CATL Group. In respect of nickel products, the Company has made reference to its investments in PT. Huayue Nickel Cobalt (Indonesia) Co., Limited to jointly develop it with an average production capacity of 60,000 tonnes of nickel products per annum in estimating the quantity of nickel products to be supplied by CMOG Limited Group to CATL Group for the two years ending 31 December 2024. In respect of lithium products, the Group has made reference to its collaboration with CATL Group to jointly develop two large brines within the border of Bolivia and build lithium extraction plants on Bolivia's giant salt flats in January 2023 in estimating the proposed annual caps of the lithium products to be sold by CMOG Limited Group to CATL Group with a buffer of 10% of the proposed annual caps for the two years ending 31 December 2024.

The estimation on the unit market prices of copper, cobalt and nickel products for the two years ending 31 December 2024 is based on (a) the international market price of copper cathode in 2022 as disclosed in the 2022 Annual Report; (b) the international market price of cobalt metal in 2022 as disclosed in the 2022 Annual Report, multiplied by the pricing coefficient of 55% to reflect the difference in the metal content percentage and the impurity element content in the metals; and (c) the international market price of nickel metal in 2022 as disclosed in the 2022 Annual Report, multiplied by the pricing coefficient of 70% to reflect the difference in the metal content percentage and the impurity element content in the metals.

Products to be purchased by CMOG Limited Group from CATL Group

The following factors have been taken into account in determining the proposed annual caps for the two years ending 31 December 2024: (a) the expected demand of CMOG Limited Group in nickel products provided by CATL Group; and (b) the fluctuation of the price of and demand for nickel products. The proposed annual caps are then arrived at by the estimated quantity of nickel products to be purchased by CMOG Limited Group for the two years ending 31 December 2024 multiplied by the unit market price of nickel products.

The Group has procured and traded nickel products through IXM during its ordinary and usual course of business, and believes that the growth rate of nickel demand for stainless steel is relatively stable, while the nickel demand for power battery is its main source of growth, which would support the steady and sustainable market demand for nickel products. At the same time, the nickel inventories on the exchanges remain at a relatively low level, which will form an underlying support for nickel prices. Therefore, the quantity of nickel products to be purchased by CMOG Limited Group from CATL Group for the two years ending 31 December 2024 is estimated based on the average production capacity of CATL Group and the expected demand of CMOG Limited Group.

The estimation on the unit market price of nickel products for the two years ending 31 December 2024 is based on the international market price of nickel metal in 2022 as disclosed in the 2022 Annual Report, multiplied by the pricing coefficient of 60% to reflect the difference in the metal content percentage and the impurity element content in the metals.

Interests to be paid by CMOG Limited Group to CATL Group in relation to the prepayment

The following factors have been taken into account in determining the proposed annual caps for the two years ending 31 December 2024: (a) the prepayment of approximately US\$2.066 billion made by CATL Group to the Group; (b) an estimated annual interest rate of approximately 5.5%, which is within the range of the interest rate for long-term borrowing of the Group; and (c) the arrangement of reducing principal amount of prepayment through the sale of copper, cobalt, nickel and lithium products by CMOG Limited Group to CATL Group for the two years ending 31 December 2024.

As disclosed in the announcement of the Company dated 31 October 2022, pursuant to the agreements entered into between CMOG Limited Group and CATL Group in July 2021 and January 2022, CATL Group agreed to purchase cobalt and other products from CMOG Limited Group since 2023 with a prepayment of approximately US\$2.066 billion. Such prepayment has been made by CATL Group in January 2022 and both parties agreed to reduce its principal amount through the sale of copper, cobalt, nickel and lithium products by CMOG Limited Group to CATL Group for the two years ending 31 December 2024.

Reasons for and Benefits of the CATL Product Sales and Procurement Framework Agreement

CATL is a global leader of new energy innovative technologies and a leading player in the battery industry of China. Copper, cobalt, nickel and lithium are strategic and critical battery materials. The Company has established a strategic partnership with CATL to jointly develop KFM Copper and Cobalt Mine. In order to consolidate the strategic partnership with CATL and expand its supplier base, the Company decided to directly purchase nickel products produced by CATL Group from CATL Group. These nickel products will have different production processes, standards, qualities and uses from the nickel products that the Group will sell to CATL. By entering into the CATL Product Sales and Procurement Framework Agreement, the Company would be able to strengthen the strategic cooperation relationship with CATL Group, which is conducive for the Group’s formulation of its new energy industrial layout.

The Directors (excluding the independent non-executive Directors) are of the view that the CATL Product Sales and Procurement Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors will give their views after considering the advice of the Independent Financial Adviser.

II. THE KFM CONTINUING CONNECTED TRANSACTIONS

On 27 October 2023, the Board approved the Company to enter into the KFM Sales and Procurement Framework Agreement with KFM Holding and KFM Mining, which are both connected subsidiaries of the Company, with a term from the date of the agreement to 31 December 2024, subject to the Independent Shareholders’ approval at the EGM, pursuant to which, (i) CMOC Group agrees to purchase and KFM Group agrees to sell copper and cobalt products; and (ii) CMOC Group agrees to sell and KFM Group agrees to purchase the equipment, materials, relevant services, etc. As at the date of this announcement, the above KFM Sales and Procurement Framework Agreement has not been executed yet, and the Company will make an announcement in due course once a definitive agreement is entered into.

Principle Terms of the KFM Sales and Procurement Framework Agreement

Parties	(a) the Company; (b) KFM Holding; and (c) KFM Mining
Term	From the date of the agreement to 31 December 2024
Subject Matter	(i) CMOC Group agrees to purchase and KFM Group agrees to sell copper and cobalt products; (ii) CMOC Group agrees to sell and KFM Group agrees to purchase the equipment, materials, relevant services, etc.

**Subsequent
Agreements**

Members of CMOC Group and KFM Group will enter into the subsequent agreement with respect of each transaction contemplated under the KFM Sales and Procurement Framework Agreement according to the principles prescribed thereunder (the “**KFM Subsequent Agreement(s)**”).

Pricing Policies

(1) *As for the products the products to be purchased by CMOC Group from KFM Group*

It is agreed that the price for each lot of the products purchased by CMOC Group under each KFM Subsequent Agreement should be determined on the basis of market-based pricing principle, subject to certain adjustments mainly involving the cost of funds, the basic pricing coefficient, the moisture content, the percentage of metal content and the impurity element content in the metals. The agreed price shall be determined after arm’s length negotiation between parties to the agreement to ensure that the price is fair and reasonable and on normal commercial terms.

The market price of copper and cobalt products refers to (i) the copper price quoted by LME (<https://www.lme.com/>); or (ii) the cobalt price of quoted by Fastmarkets (<https://www.fastmarkets.com/>) multiplied by the relevant price coefficient. The price will be determined with reference to the sales price charged by other well-known mining companies in the place of sale or receiving market, as well as recognized commodity trading indexes comparable to LME or Fastmarkets (such as SMM Information & Technology Co., Ltd., Shanghai Futures Exchange or the Chicago Mercantile Exchange).

Pursuant to the KFM Subsequent Agreement, if CMOC Group shall make prepayment for certain proposed transactions, KFM Group shall pay interests on such prepayments. The interest rate will be determined by the parties to the agreement upon amicable negotiations with reference to the USD Secured Overnight Financing Rate (SOFR) and the interest rates of the medium and long term loans granted by third party financial institutions to CMOC Group plus a margin of 2% to 6%, taking into account the factors including the regulatory requirement and USD financing costs in the DRC, the return on deposit funds, and the Federal Reserve’s view on the trend of interest rates. KFM Group is a subsidiary of the Company. Considering the bulk nature of the metal products, therefore it is an industry norm for both parties to reach a prepayment agreement in usual course of business. CMOC Group provides prepayment with reference to the market interest rate (referred as the interest rate pricing mentioned above). For further details of the prepayment and its interest rate, please refer to the section headed “Interests to be paid by CMOC Limited Group to KFM Group in relation to the prepayment” below.

(2) As for the equipment, materials, relevant services, etc. to be provided by CMOC Group to KFM Group

Equipment, materials, relevant services, etc. to be provided by CMOC Group, leveraging the strength of its own global platform of centralized procurement, to KFM Group include the following: (i) pumps, valves, transformers, construction vehicles, and other equipment and relevant services; and (ii) sulfur, magnesium oxide, steel balls, sodium hydroxide, and other materials and relevant services. The price for each lot of equipment, materials, relevant services, etc. sold by CMOC Group under each KFM Subsequent Agreement will be adjusted based on factors including the market price, the actual quality and the delivery method, and by adding or subtracting costs incurred in related logistical processes. If there is no comparable market price, the price shall be determined in accordance with the principle of reasonable cost plus reasonable profit, and the agreed price shall be determined after arm's length negotiation between the parties to the agreement to ensure that the price in relation to the above transactions is fair and reasonable and on normal commercial terms.

Historical Transaction Amounts and Annual Caps

The Company entered into an agreement with KFM Holding and KFM Mining on 28 July 2023 in relation to the purchase of products and provision of equipment, materials, relevant services, etc. by CMOC Group from/to KFM Group for the year ending 31 December 2023 (the “**Existing KFM Sales and Procurement Framework Agreement**”), please refer to the announcements of the Company dated 23 July 2023 and 28 July 2023 for details.

Existing annual caps

The existing annual caps for the transactions contemplated under the Existing KFM Sales and Procurement Framework Agreement for the year ending 31 December 2023 are set out as follows:

	Existing Annual Cap for the Year Ending 31 December 2023 (US\$ million)
Products to be purchased by CMOC Group from KFM Group	670
Equipment and materials to be provided by CMOC Group to KFM Group	120
Interests to be paid by KFM Group to CMOC Group in relation to the prepayment	10

Historical transaction amounts and the utilization rate of the existing annual caps

As at 31 August 2023, the historical transaction amounts and the utilization rate of the existing annual caps under the Existing KFM Sales and Procurement Framework Agreement for the year ending 31 December 2023 are as follows:

	Historical Transaction Amount for the Year Ending 31 December 2023 as at 31 August 2023 ⁽¹⁾ (US\$ million)	Utilization Rate of the Existing Annual Cap for the Year Ending 31 December 2023 as at 31 August 2023 ⁽¹⁾ (%)
Products purchased by CMOC Group from KFM Group	135.24	20.19
Equipment and materials provided by CMOC Group to KFM Group	25.99	21.66
Interests paid by KFM Group to CMOC Group in relation to the prepayment	1.15	11.50

(1) The historical transaction amount and utilization rate of the existing annual cap disclosed in the table only include the numbers for the period from 28 July 2023 to 31 August 2023.

Historical transaction amounts between CMOC Group and KFM Group

The historical transaction amounts between CMOC Group and KFM Group for the two years ended 31 December 2022 and for the eight months ended 31 August 2023 are as follows:

	Historical Transaction Amount for the Year Ended 31 December 2021 (US\$ million)	Historical Transaction Amount for the Year Ended 31 December 2022 (US\$ million)	Historical Transaction Amount for the Eight Months Ended 31 August 2023 (US\$ million)
Products purchased by CMOC Group from KFM Group	0	0	349.47
Equipment and materials provided by CMOC Group to KFM Group	30.78	368.56	130.57
Interests paid by KFM Group to CMOC Group in relation to the prepayment	0	0	3.27

Reasons for revising the annual caps

Due to the acceleration of the actual production progress of the KFM Copper and Cobalt Mine projects, the amount of continuing connected transactions between the Company and KFM Group from 28 July 2023 (being the date of entering into of the Existing KFM Sales and Procurement Framework Agreement) to the date of this announcement was higher than expected. Based on the above-mentioned transactions, the annual caps for 2023 were adjusted.

Termination of the Existing KFM Sales and Procurement Framework Agreement

The Existing KFM Sales and Procurement Framework Agreement will be terminated and replaced and superseded by the KFM Sales and Procurement Framework Agreement subject to the approval at the EGM. All transactions, agreements and other documents entered into by the Company, KFM Holding and KFM Mining pursuant to the Existing KFM Sales and Procurement Framework Agreement will be governed by the terms of the KFM Sales and Procurement Framework Agreement.

As the actual production progress of the KFM project has accelerated, the Company calculated the annual caps for the transaction amount based on the expected continuing connected transactions with KFM Group from 2023 to 2024, and adjusted and determined the annual caps of the continuing connected transactions from 2023 to 2024 based on the above factor.

The annual caps for the transactions contemplated under the KFM Sales and Procurement Framework Agreement for the two years ending 31 December 2024 are set out as follows:

	Annual Cap for the Year Ending 31 December 2023 (US\$ million)	Annual Cap for the Year Ending 31 December 2024 (US\$ million)
Products to be purchased by CMOC Group from KFM Group	1,600	2,400
Equipment, materials, relevant services, etc. to be provided by CMOC Group to KFM Group	400	400
Interests to be paid by KFM Group to CMOC Group in relation to the prepayment	25	45

Basis for Determining the Proposed Annual Caps

Products to be purchased by CMOC Group from KFM Group

The following factors have been taken into account in determining the proposed annual caps for the two years ending 31 December 2024: (a) the estimated production volume of copper and cobalt products of KFM Group in the future; (b) the expected demand of the Group in terms of the products provided by KFM Group; and (c) the fluctuation of the price of and demand for copper and cobalt products. The proposed annual caps are then arrived at by the estimated quantity of copper and cobalt products to be supplied by KFM Group to CMOC Group for the two years ending 31 December 2024 multiplied by the respective unit market price of copper and cobalt products.

It is expected that KFM Copper and Cobalt Mine's average production capacity of copper products and cobalt products will reach approximately 86,000 tonnes and 29,000 tonnes respectively for the year ending 31 December 2023, and will overproduce for the year ending 31 December 2024. In order to take advantage of the opportunities from the global strategy of carbon neutrality and carbon peaks and to realise the vision and goals, the Company has formulated a development path, one of which is to ramp up with multiplying production capacity by expediting the construction and production of the two world-class projects, TFM and KFM Copper and Cobalt Mine. As KFM Copper and Cobalt Mine is one of the Group's important resources and reserves of copper and cobalt products, the Group intends to purchase most of the copper and cobalt products produced by KFM Copper and Cobalt Mine to ensure the stability of the Group's daily business and meet the growing market demand. The quantity of copper and cobalt products to be purchased by CMOC Group from KFM Group for the two years ending 31 December 2024 is then estimated based on the expected production capacity of KFM Copper and Cobalt Mine and the expected demand of CMOC Group.

The estimation on the unit market prices of copper and cobalt products for the two years ending 31 December 2024 is based on (a) the international market price of copper cathode in 2022 as disclosed in the 2022 Annual Report; and (b) the international market price of cobalt metal in 2022 as disclosed in the 2022 Annual Report, multiplied by the pricing coefficient of 55% to reflect the difference in the metal content percentage and the impurity element content in the metals.

Equipment, materials, relevant services, etc. to be provided by CMOC Group to KFM Group

The expected demand of the KFM Group on the equipment, materials, relevant services, etc. provided by CMOC Group has been taken into account in determining the proposed annual caps for the two years ending 31 December 2024.

Due to the limited level of local industrial development, KFM Group has to import some necessary manufacturing equipment and materials from overseas. Against this background, in order to reduce production costs, the Group decided to provide such manufacturing equipment and materials to KFM Group by utilising the Group's own global procurement platform. The breakdown of estimated contract values of equipment and materials required by KFM Group for the year ending 31 December 2023 amounted to approximately US\$400 million in total.

Interests to be paid by KFM Group to CMOC Group in relation to the prepayment

The following factors have been taken into account in determining the proposed annual caps for the two years ending 31 December 2024: (a) the prepayment of approximately US\$400.0 million to be made by CMOC Group to KFM Group; (b) the estimated annual interest rate of approximately 11.0% considering the relatively high financing costs in the DRC; and (c) the arrangement of reducing principal amount of prepayment through the sale of copper and cobalt products by KFM Group to CMOC Group for the two years ending 31 December 2024.

The prepayment to be made was determined after negotiations with KFM Group based on the expected average production capacity of KFM Group and the corresponding expected demand of CMOC Group. It is expected that the relevant prepayment will be made by CMOC Group by the end of 2023 and both parties agreed to reduce its principal amount through the sale of copper and cobalt products by KFM Group to CMOC Group for the two years ending 31 December 2024.

Reasons for and Benefits of the KFM Sales and Procurement Framework Agreement

KFM Copper and Cobalt Mine is one of the world's largest, highest-grade copper and cobalt deposit. By entering into the KFM Sales and Procurement Framework Agreement, the Company would be able to ensure the stability of the Group's daily business and satisfy future demand of the Group from time to time, which is in the overall interests of the Group. Restricted by the limited level of local industrial development, KFM Group must import some necessary manufacturing equipment, materials and related services from overseas. Against this background, in order to reduce production costs, the Company decided to provide relevant manufacturing equipment and materials to KFM Group by utilizing its own global procurement platform. The Company's current annual cap is determined based on KFM Copper and Cobalt Mine's preliminary production plan.

The Directors (excluding the independent non-executive Directors) are of the view that the KFM Sales and Procurement Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors will give their views after considering the advice of the Independent Financial Adviser.

III. INTERNAL CONTROL MEASURES

In order to effectively implement the Agreements, the Company has adopted the following internal control measures:

- (1) The Company has designated a specific department to monitor the market price of the products, equipment, materials and relevant services provided or purchased.
 - As for the products to be provided by CMOC Limited Group to CATL Group under the CATL Product Sales and Procurement Framework Agreement, the department will (i) check the quotations of copper, cobalt, nickel and lithium products which are of the similar quality as those provided by CMOC Limited Group on the websites of <https://www.lme.com/>, <https://www.fastmarkets.com/>, <https://www.mysteel.net/> and <https://www.smm.cn/> on a daily basis before the entering into of each CATL Subsequent Agreement; and (ii) check the final contract price of the copper, cobalt, nickel and lithium products offered to other third parties by CMOC Limited Group from time to time; and
 - As for (i) the products to be provided by CATL Group to CMOC Limited Group under the CATL Product Sales and Procurement Framework Agreement and (ii) the products to be provided by KFM Group to CMOC Group under the KFM Sales and Procurement Framework Agreement, the department will (i) check the quotations of copper, cobalt, nickel and lithium products which are of the similar quality as those provided by KFM Group to CMOC Group on the websites of <https://www.lme.com/>, <https://www.fastmarkets.com/>, <https://www.mysteel.net/> and <https://www.smm.cn/> on a daily basis before the entering into of each CATL Subsequent Agreement and KFM Subsequent Agreement; and (ii) check the final contract prices of copper, cobalt, nickel and lithium products offered by third parties to CMOC Group from time to time.
- (2) The Company's auditor and the independent non-executive Directors will conduct annual review on the pricing principles, transaction terms and the proposed annual caps under the Agreements.
- (3) Subsequently, the Company will monitor the annual caps and reasonableness and fairness under the Agreements according to KFM Copper and Cobalt Mine's actual production situation, estimated demand for equipment and materials, relevant prices provided by third-party suppliers, and whether it is cost- and time-effective for the global procurement platform to provide the required manufacturing equipment and materials to KFM Group, etc.

IV. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CATL is a substantial shareholder of the Company. KFM Holding is ultimately owned as to 75% and 25% by the Company and CATL, respectively, and KFM Mining is a subsidiary of KFM Holding. CATL, KFM Holding and KFM Mining are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under (i) the CATL Product Sales and Procurement Framework Agreement between CMOC Limited Group and CATL Group; and (ii) the KFM Sales and Procurement Framework Agreement between CMOC Group and KFM Group shall constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratios in respect of the proposed annual caps of (i) the transactions under the CATL Product Sales and Procurement Framework Agreement; and (ii) the transactions under the KFM Sales and Procurement Framework Agreement exceed 5%, such transactions would constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules, and are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Lin Jiuxin and Mr. Jiang Li, both have offices in CATL and/or its associates, and in order to avoid the perception of a conflict of interest, each of them had abstained from voting on the Board resolutions to approve the Agreements. Save as disclosed above, none of the other Directors has a material interest in the Agreements or holds any position in CATL and/or its associates which would require them to abstain from voting on the relevant Board resolutions.

V. THE EGM

The Company will convene an EGM to obtain the approval from the Independent Shareholders in respect of the Agreements and the proposed transactions contemplated thereunder (including the proposed annual caps thereto).

CATL and its associates, being connected persons of the Company, held 5,329,780,425 Shares which accounts for approximately 24.68% of the Company's total share capital as at the date of this announcement, will abstain from voting at the EGM on the ordinary resolutions to approve the Agreements and the transactions contemplated thereunder (including the proposed annual caps thereto). The relevant resolutions to be proposed at the EGM will be voted on by poll in compliance with the Listing Rules.

Save as disclosed above and to the best knowledge of the Directors, as at the date of this announcement, no other Shareholder has a material interest in the Agreements and the transactions contemplated thereunder, and therefore no other Shareholder is required to abstain from voting on relevant resolutions at the EGM.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee (comprising Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua, all of whom are independent non-executive Directors) has been formed to advise and provide recommendations to the Independent Shareholders in respect of the Agreements and the proposed transactions contemplated thereunder (including the proposed annual caps thereto).

In addition, the Company has appointed Rainbow Capital as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreements and the proposed transactions contemplated thereunder (including the proposed annual caps thereto) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and whether they are in the interests of the Company and the Shareholders as a whole.

Despatch of Circular

A circular containing, among other things, (i) a letter from the Board setting out further details on the Agreements and the proposed transactions contemplated thereunder; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 17 November 2023.

The Shareholders and potential investors of the Company should refer to the circular for further information.

VI. GENERAL INFORMATION

CMOC Limited

CMOC Limited is a wholly-owned subsidiary of the Company and was established under the laws of Hong Kong with limited liability. It mainly engages in investment holding activities.

KFM Holding

KFM Holding is a company incorporated in Hong Kong with limited liability. As at the date of this announcement, it is ultimately controlled as to 75% and 25% by the Company and CATL, respectively, and therefore a connected person of the Company. It mainly engages in investment holding activities.

KFM Mining

KFM Mining is a company incorporated in Democratic Republic of the Congo with limited liability. As at the date of this announcement, it is a subsidiary of KFM Holding and a connected person of the Company. It mainly engages in mining and processing activities.

CATL

CATL is a joint stock company established in the PRC with limited liability, the A shares of which are listed and traded on the Shenzhen Stock Exchange (stock code: 300750). It mainly engages in the research and development, production and sales of power batteries and energy storage batteries. As of the date of this announcement, CATL indirectly owned 24.68% equity interests in the Company.

The Company

The Company is a joint stock company established in the PRC with limited liability, the H Shares and A Shares of which are listed and traded on the main boards of the Stock Exchange (stock code: 03993) and the SSE (stock code: 603993), respectively. The controlling shareholder of the Company is Cathay Fortune Corporation. The Group mainly engages in the mining and processing business, which includes mining, beneficiation, smelting and refining of base and rare metals, and mineral trading business.

Although CMOC Limited Group appears to be both selling party and purchasing party for certain metal products, the transactions under the Agreements are the overall sales arrangement of the Group. CMOC Limited serves as the Group's trade centre to coordinate and allocate raw materials produced by the Group, and KFM Group is also a consolidated subsidiary of the Group, therefore CMOC Limited Group's purchase from KFM Group is an intra-group transaction but not a resale arrangement. In addition, the products sold to CATL are not necessarily from the products purchased from KFM Group, only that after KFM Group is put into production, the Company still has spare capacity to allocate quotas to CATL in order to meet CATL's procurement needs and the Company's sales arrangements.

DEFINITIONS

Unless the context otherwise requires, the following expressions in this announcement shall have the following meanings:

“2022 Annual Report”	the annual report of the Company for the year ended 31 December 2022 published on 28 April 2023
“A Share(s)”	domestic share(s) with a nominal value of RMB0.20 each issued by the Company which are listed on the SSE and traded in RMB (stock code: 603993)
“A Shareholder(s)”	holder(s) of A Shares
“Agreements”	the CATL Product Sales and Procurement Framework Agreement and the KFM Sales and Procurement Framework Agreement
“Board”	the board of Directors
“CATL”	Contemporary Amperex Technology Co., Limited

“CATL Continuing Connected Transactions”	the transactions between CMOG Limited Group and CATL Group under the CATL Product Sales and Procurement Framework Agreement
“CATL Group”	CATL and its subsidiaries, associates and affiliates
“CATL Product Sales and Procurement Framework Agreement”	the product sales and procurement framework agreement to be entered into between CMOG Limited and CATL
“CMOG Group”	the Company and its subsidiaries, excluding KFM Group
“CMOG Limited”	CMOG Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company as at the date of this announcement
“CMOG Limited Group”	CMOG Limited and its subsidiaries
“Company”	CMOG Group Limited* (洛陽樂川鋁業集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the A Shares and H Shares of which are listed on the SSE and the Stock Exchange, respectively
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened, among other things, for the Independent Shareholders to consider and, if thought fit, approve the Agreements and the proposed transactions contemplated thereunder (including the proposed annual caps thereto), and any adjournment thereof
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) with a nominal value of RMB0.20 each in the share capital of the Company which are listed on the main board of the Stock Exchange and are traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent committee of the Board comprising Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua, the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Agreements and the proposed transactions contemplated thereunder (including the proposed annual caps thereto)
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreements and the proposed transactions contemplated thereunder (including the proposed annual caps thereto)
“Independent Shareholders”	Shareholders other than CATL and its associates
“IXM”	IXM Holding S.A., its subsidiaries and affiliates
“KFM” or “KFM Mining”	CMOC KISANFU MINING SARL, a company incorporated in Democratic Republic of the Congo with limited liability, which is a subsidiary of KFM Holding
“KFM Continuing Connected Transactions”	the transactions between CMOC Group and KFM Group under the KFM Sales and Procurement Framework Agreement
“KFM Copper and Cobalt Mine”	Kisanfu Copper and Cobalt Mine Area located in Congo (DRC)
“KFM Group”	KFM Holding and KFM Mining and their respective subsidiaries
“KFM Holding”	KFM Holding Limited, a company incorporated in Hong Kong with limited liability, which is ultimately controlled as to 75% and 25% by the Company and CATL, respectively, as at the date of this announcement
“KFM Sales and Procurement Framework Agreement”	the product sales and procurement framework agreement to be entered into by the Company, KFM Holding and KFM Mining

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LME”	London Metal Exchange
“PRC” or “China”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong and the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Shares, including both A Shareholder(s) and H Shareholder(s)
“SSE”	the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TFM”	Tenke Fungurume Mining S.A. (DRC)
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

In addition, the terms “associate”, “connected person”, “connected subsidiary(ies)”, “connected transaction”, “continuing connected transaction”, “controlling shareholder”, “percentage ratio(s)”, “subsidiary(ies)” and “substantial shareholder” shall have the meanings ascribed to them under the Listing Rules.

By Order of the Board
CMOC Group Limited*
Yuan Honglin
Chairman

Luoyang City, Henan Province, the PRC, 27 October 2023

As at the date of this announcement, the Company’s executive Directors are Mr. Sun Ruiwen and Mr. Li Chaochun; the non-executive Directors are Mr. Yuan Honglin, Mr. Lin Jiuxin and Mr. Jiang Li; and the independent non-executive Directors are Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua.

* For identification purposes only