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**MMG LIMITED**

**五礦資源有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(STOCK CODE: 1208)**

## CONTINUING CONNECTED TRANSACTION COMMODITY HEDGING AGENCY AGREEMENT

### **Commodity Hedging Agency Agreement**

On 24 July 2020, MMG Management, a wholly-owned subsidiary of the Company, entered into the Commodity Hedging Agency Agreement with Minmetals UK in relation to the provision of agency services by Minmetals UK for executing certain commodity hedging transactions on the LME or with financial institutions on behalf of MMG Management.

Minmetals UK is a wholly-owned subsidiary of CMC, the ultimate controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the Commodity Hedging Agency Agreement constitutes a continuing connected transaction for the Company.

As at least one of the relevant percentage ratios in respect of the Commodity Hedging Agency Agreement is more than 0.1%, but all are less than 5%, the transaction constitutes a continuing connected transaction which is subject to the reporting, annual review and announcement requirements, but is exempt from the independent shareholders' approval requirements, under Chapter 14A of the Listing Rules.

On 24 July 2020, MMG Management entered into the Commodity Hedging Agency Agreement with Minmetals UK, pursuant to which MMG Management has appointed Minmetals UK as its agent for executing certain commodity hedging transactions on the LME or with financial institutions on behalf of MMG Management. Under that agreement, Minmetals UK will also utilise its existing and established credit lines for the purpose of executing those commodity hedging transactions.

The principal terms of the Commodity Hedging Agency Agreement are set out below.

- Parties : (1) MMG Management  
(2) Minmetals UK
  
- Agency services : Minmetals UK will:
  - transact business in relation to derivative instruments on the LME or with financial institutions (**Relevant Transactions**), acting according to the instructions of, and as agent on behalf of, MMG Management; and
  - utilise its existing and established credit lines for the purpose of the Relevant Transactions.
  
- Term : The period from 24 July 2020 until such time as all obligations of the parties are fulfilled in relation to all Relevant Transactions, unless terminated sooner by either party on seven days' written notice. All Relevant Transactions must be entered into by no later than 31 December 2020.
  
- Relevant Transactions : The maximum amount of metal to be subject to the Relevant Transactions will be 137,000 tonnes of copper and 75,000 tonnes of zinc.
  
- Service charge : MMG Management shall pay Minmetals UK a service charge in an amount to be agreed between the parties, up to a maximum of US\$15 (equivalent to approximately HK\$117) per tonne of metal which has been the subject of a Relevant Transaction.
  
- Payment terms : MMG Management will pay the aggregate service charge to Minmetals UK following completion of all Relevant Transactions.
  
- Margin requirements : Minmetals UK shall meet at no additional cost all margin calls that may be applicable to the Relevant Transactions. MMG Management will not be required to meet any margin calls, but rather will pay any net settlement amounts to Minmetals UK as Relevant Transactions settle.

The terms of the Commodity Hedging Agency Agreement were arrived at after arm's length negotiations between MMG Management and Minmetals UK.

**ANNUAL CAP**

Based on the maximum amount of metal which may be subject to the Relevant Transactions and the maximum service charge per tonne of metal, the maximum aggregate amount that may be paid to Minmetals UK under the Commodity Hedging Agency Agreement is approximately US\$3.2 million (equivalent to approximately HK\$25.0 million). Accordingly, the annual cap for the Commodity Hedging Agency Agreement is US\$3.2 million (equivalent to approximately HK\$25.0 million) for 2020.

## **REASONS FOR AND BENEFITS OF THE COMMODITY HEDGING AGENCY AGREEMENT**

The Commodity Hedging Agency Agreement will provide an immediate, cost effective and readily available platform to transact hedging instruments, providing MMG Management with timely access to existing and established credit lines of Minmetals UK, without the need to provide credit support, and without any margin call requirements.

The COVID-19 pandemic has resulted in extreme volatility in the commodities markets. Base metal prices fell substantially over the first quarter of 2020, as the global economic impact of the COVID-19 pandemic became increasingly apparent. Noting a rally in base metal prices over June and July, the Board considers it appropriate to expand its existing derivative trading platforms, to more readily enable entry into commodity hedging transactions. This will provide added flexibility and allow more active management of short-term commodity price exposure, should the appropriate opportunity present during this period of volatility. In turn, this will also provide a degree of additional certainty to the Group's future cash flows.

The Directors (including the independent non-executive Directors but excluding the Interested Directors) are of the view that the Commodity Hedging Agency Agreement is on normal commercial terms and is 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, have abstained from voting on the Board resolution approving the Commodity Hedging Agency Agreement in order to avoid any possible conflict of interest issue.

## **LISTING RULES IMPLICATIONS**

Minmetals UK is a wholly-owned subsidiary of CMC, the ultimate controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the Commodity Hedging Agency Agreement constitutes a continuing connected transaction for the Company.

Pursuant to Rule 14A.76(1) of the Listing Rules, as at least one of the relevant percentage ratios in respect of the Commodity Hedging Agency Agreement is more than 0.1%, but all are less than 5%, the transaction constitutes a continuing connected transaction which 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.

## **INFORMATION ABOUT THE GROUP**

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

## **INFORMATION ABOUT MINMETALS UK**

Minmetals UK is a wholly-owned subsidiary of CMC, the ultimate controlling shareholder of the Company. Minmetals UK is a leading trader in metals, mineral and metal fabricated products.

## DEFINITIONS

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

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
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
Commodity Hedging Agency Agreement		the agreement dated 24 July 2020 between MMG Management and Minmetals UK for the provision of agency services by Minmetals UK for executing commodity hedging transactions on behalf of MMG Management
Company		MMG Limited, a company incorporated in Hong Kong, 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
Director(s)		the director(s) of the Company
Group		the Company and its subsidiaries from time to time
Hong Kong		the Hong Kong Special Administrative Region of the People's Republic of China
Interested Directors		Guo Wenqing, Zhang Shuqiang, Jiao Jian, Xu Jiqing and Gao Xiaoyu
Listing Rules		the Rules Governing the Listing of Securities on the Stock Exchange
LME		London Metal Exchange
Minmetals UK		Minmetals (U.K) Limited, a company incorporated in England and Wales with limited liability and a wholly-owned subsidiary of CMC
MMG Management		MMG Management Pty Ltd, a company incorporated in Australia and a wholly-owned subsidiary of the Company

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)
Relevant Transaction(s)	commodity hedging transaction(s) entered into on the LME or with a financial institution by Minmetals UK as agent of MMG Management under the Commodity Hedging Agency 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)
%	percent

*Unless otherwise specified, conversion of US\$ into HK\$ in this announcement is based on the exchange rate of US\$1.00 = HK\$7.80 for the purpose of illustration only. No representation is made and there is no assurance that US\$ or HK\$ can be purchased or sold at such rate.*

By order of the Board  
**MMG Limited**  
**Gao Xiaoyu**  
*CEO and Executive Director*

Hong Kong, 27 July 2020

*As at the date of this announcement, the Board comprises eight directors, of which one is an executive director, namely Mr Gao Xiaoyu; four are non-executive directors, namely Mr Guo Wenqing (Chairman), Mr Jiao Jian, 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.*