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If you have sold or transferred all your shares in MMG Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or 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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MMG LIMITED

五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(STOCK CODE: 1208)

CONNECTED TRANSACTION ISSUE OF NEW SHARES TO CONNECTED PERSONS UNDER THE LONG TERM INCENTIVE EQUITY PLAN AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A notice convening the EGM of the Company to be held on Thursday, 4 March 2021 at 10:30 a.m. at Monet Room B, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 10:30 a.m. on Tuesday, 2 March 2021. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

A letter from the Board is set out on pages 5 to 15 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders is set out on page 16 of this circular.

A letter from Somerley, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 17 to 32 of this circular.

In view of the travelling restrictions imposed by various jurisdictions including Hong Kong to prevent the spread of the COVID-19, certain directors of the Company may attend the EGM through electronic means. Subject to the development of COVID-19 pandemic, the Company may implement further changes and precautionary measures at short notice. Shareholders should check the Company's website at www.mmg.com for future announcements and updates on the EGM arrangements.

10 February 2021

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

With the outbreak and spreading of the COVID-19 pandemic and the heightened requirements for the prevention and control of its spreading, to safeguard the health and safety of the shareholders of the Company (Shareholders) who might be attending the EGM in person, the Company will implement the following precautionary measures at the EGM:

1. **Voting by proxy in advance of the EGM:** The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage the Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders' rights. **Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.**

The deadline to submit completed proxy forms is on Tuesday, 2 March 2021 at 10:30 a.m.. Completed proxy forms must be returned to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

2. **Questions prior to the EGM:** If a Shareholder has a question about the resolution proposed at the EGM or about the Company, he/she is welcome to send such questions in writing by email to company.secretary@mmg.com from Wednesday, 10 February 2021 to Sunday, 21 February 2021. Whilst the Company will endeavour to respond to all questions at the EGM, due to time constraints, unanswered questions will be responded to after the EGM as appropriate.

Shareholders attending the EGM at the venue in person can ask questions at the meeting without submitting them in advance.

Shareholders are strongly encouraged to cast their votes by submitting a proxy form appointing the Chairman of the EGM as their proxy.

To safeguard the health and safety of the Shareholders who might be attending the EGM in person, the Company will also implement the following additional precautionary measures at the EGM:

1. compulsory body temperature screening/checks will be carried out on every attendee at the entrance of the EGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time, or who is exhibiting flu-like symptoms may be denied entry into the EGM venue and be requested to leave the EGM venue;
2. every attendee will be required to submit a completed and signed Health Declaration Form (Form) prior to entry into the EGM venue. The completed and signed Form must be ready for collection at the main entrance of the EGM venue to ensure prompt and smooth processing;

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

3. every attendee will be required to wear a surgical face mask throughout the EGM and sit at a safe distance from other attendees. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks; and
4. no refreshments or drinks will be provided to attendees at the EGM.

Attendees are requested to observe and practise good personal hygiene at all times at the EGM venue.

To ensure the safety of the attendees at the EGM, seating at the EGM venue will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for Shareholders to attend the EGM. To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue if any safety regulation or related precautionary measures cannot be complied with.

Subject to the development of the COVID-19 pandemic, the Company may implement further changes and precautionary measures at short notice. Shareholders should check the Company's website at www.mmh.com for future announcements and updates on the EGM arrangements.

If Shareholders have any questions relating to the EGM, please contact Computershare Hong Kong Investor Services Limited, the Company's Share Registrar, as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990
Email: www.computershare.com/hk/contact

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2015 Award”	the grant of 72,129,935 Performance Awards (as defined in the 2018 Circular) to 146 Incentive Participants (as defined in the 2018 Circular) on 19 May 2015 under the Long Term Incentive Equity Plan
“2017 Award”	the grant of in aggregate 54,391,336 Performance Awards (as defined in the 2018 Circular) to 158 Incentive Participants (as defined in the 2018 Circular) on 31 August 2017 under the Long Term Incentive Equity Plan
“2018 Award”	the grant of up to 9,517,609 Performance Awards to 26 Incentive Participants on 29 June 2018 under the Long Term Incentive Equity Plan
“2018 Circular”	the circular of the Company dated 14 February 2018 in respect of the issue of new Shares to connected persons under the Long Term Incentive Equity Plan
“2018 Performance Period”	the performance period in respect of the 2018 Award from 1 January 2018 to 31 December 2020
“2019 Award”	the grant of up to 22,194,175 Performance Awards to 27 Incentive Participants on 3 May 2019 under the Long Term Incentive Equity Plan
“2019 Performance Period”	the performance period in respect of the 2019 Award from 1 January 2019 to 31 December 2021
“2020 Award”	the grant of up to 72,739,897 Performance Awards to 101 Incentive Participants on 29 April 2020 under the Long Term Incentive Equity Plan
“2020 Performance Period”	the performance period in respect of the 2020 Award from 1 January 2020 to 31 December 2022
“Announcement”	announcement made on 2 December 2020 in relation to, among others, the issue of new Connected Award Shares to the Connected Incentive Participants pursuant to the 2018 Award, the 2019 Award and the 2020 Award under the Long Term Incentive Equity Plan
“associate(s)”	has the meaning ascribed to this term under the Listing Rules

DEFINITIONS

“Award Shares”	the Shares to be awarded to the Incentive Participants pursuant to vesting of the Performance Awards of the 2018 Award, the 2019 Award and the 2020 Award under the Long Term Incentive Equity Plan
“Board”	the board of Directors
“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 Award Shares”	the Award Shares awarded to the Connected Incentive Participants
“Connected Incentive Participants”	the Incentive Participants who are connected persons of the Company, including directors of the Company and directors of Significant Subsidiaries of the Company
“connected persons”	has the meaning ascribed to this term under Chapter 14A of the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held at 10:30 a.m. on Thursday, 4 March 2021 at Monet Room B, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong, to consider and, if appropriate, to approve the resolution contained in the notice of EGM which is set out on pages EGM-1 to EGM-2 of this circular, or any adjournment thereof
“General Mandate”	the general mandate granted to the Board at the annual general meeting of the Company held on 21 May 2020
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the official currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Incentive Participants”	the executive directors of the Company and/or certain executives and managers of the Company and/or subsidiaries of the Company who are granted Performance Awards pursuant to the Long Term Incentive Equity Plan (or any one of them, “Incentive Participant”)

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the Issue
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM to approve the Issue
“Index”	the EMIX Global Mining Indices
“Issue”	the issue and allotment of new Connected Award Shares to the Connected Incentive Participants in respect of the 2018 Award, the 2019 Award and the 2020 Award to the extent they vest in accordance with their terms
“Latest Practicable Date”	Friday, 5 February 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Long Term Incentive Equity Plan”	the long term incentive equity plan of the Company
“Performance Awards”	the performance awards granted to the Incentive Participants to be satisfied by Award Shares upon vesting
“Remuneration Committee”	the governance, remuneration and nomination committee of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Significant Subsidiary(ies)”	a subsidiary of the Company that is not an “insignificant subsidiary” (as that term is defined in Listing Rule 14A.09) of the Company

DEFINITIONS

“Sommerley” or “Independent
Financial Adviser”

Sommerley Capital Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Issue

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

LETTER FROM THE BOARD



MMG LIMITED

五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(STOCK CODE: 1208)

Chairman:

GUO Wenqing *(Non-executive Director)*

Executive Director:

GAO Xiaoyu

Non-executive Directors:

JIAO Jian

ZHANG Shuqiang

XU Jiqing

Independent Non-executive Directors:

Peter William CASSIDY

LEUNG Cheuk Yan

CHAN Ka Keung, Peter

Registered Office:

Unit 1208

12/F

China Minmetals Tower

79 Chatham Road South

Tsimshatsui

Kowloon

Hong Kong

10 February 2021

To the Shareholders

Dear Sirs or Madams,

**CONNECTED TRANSACTION
ISSUE OF NEW SHARES TO CONNECTED PERSONS
UNDER THE LONG TERM INCENTIVE EQUITY PLAN
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement, pursuant to which the Company announced that the Board had resolved to:

- (a) satisfy the Performance Awards in respect of the 2018 Award under the Long Term Incentive Equity Plan, to the extent they vest in accordance with their terms, by the issue and allotment of up to 9,517,609 new Award Shares of the Company to the Incentive Participants, of which up to 2,456,850 Connected Award Shares will be issued to 5 Connected Incentive Participants;

LETTER FROM THE BOARD

- (b) satisfy the Performance Awards in respect of the 2019 Award under the Long Term Incentive Equity Plan, to the extent they vest in accordance with their terms, by the issue and allotment of up to 22,194,175 new Award Shares of the Company to the Incentive Participants, of which up to 10,837,211 Connected Award Shares will be issued to 8 Connected Incentive Participants; and
- (c) satisfy the Performance Awards in respect of the 2020 Award under the Long Term Incentive Equity Plan, to the extent they vest in accordance with their terms, by the issue and allotment of up to 72,739,897 new Award Shares of the Company to the Incentive Participants, of which up to 29,622,145 Connected Award Shares will be issued to 12 Connected Incentive Participants.

The proposed issue of, in aggregate, up to 42,916,206 Connected Award Shares to 12 Connected Incentive Participants in respect of the 2018 Award, the 2019 Award and the 2020 Award constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements at the EGM.

The purpose of this circular is to provide you with details of the Issue, advice from the Independent Board Committee and advice from Somerley to the Independent Board Committee and the Independent Shareholders, in relation to the Issue.

DETAILS OF THE CONNECTED AWARD SHARES AND THE ISSUE

The Board has resolved to satisfy the Performance Awards in respect of the 2018 Award, the 2019 Award and the 2020 Award, to the extent they vest in accordance with their terms, by way of issue and allotment of an aggregate of up to 104,451,681 Award Shares pursuant to the General Mandate. As approval from Independent Shareholders at the EGM will be obtained in respect of the Issue (and the Issue is conditional upon such approval being obtained), the issue and allotment of the new Award Shares (including the Connected Award Shares) pursuant to the General Mandate complies with Rule 13.36(2)(b) of the Listing Rules.

The General Mandate authorised an allotment of Shares of the Company not exceeding 20% of the total number of Shares of the Company in issue as at the date of the resolution approving the General Mandate. The total number of Shares of the Company in issue as at the annual general meeting of the Company held on 21 May 2020 was 8,054,950,566, and 20% of this number is approximately 1,610,990,113. Of that 20% amount, as at the Latest Practicable Date, 12,666,616 Shares have been allotted pursuant to the General Mandate. Accordingly, the residual General Mandate remains sufficient to cover the maximum number of the new Award Shares to be issued, namely 104,451,681 Award Shares.

LETTER FROM THE BOARD

Details of the Connected Award Shares in respect of the 2018 Award, the 2019 Award and the 2020 Award and the Issue are set out below.

Securities to be newly issued, to the extent they vest in accordance with their terms, to the Connected Incentive Participants: Up to 42,916,206 Connected Award Shares, representing approximately 0.5320% of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.5291% of the total number of Shares in issue as enlarged by the issue and allotment of the Connected Award Shares.

The Connected Award Shares, when issued and fully paid, shall rank *pari passu* among themselves and with those Shares in issue, with the right to receive all dividends and other distributions declared, made or paid on or after the date of allotment.

Funds to be raised: No funds will be raised by the Company as a result of the Issue.

Market price of the Shares: Based on the closing price of HK\$3.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the market value of the 42,916,206 Connected Award Shares was HK\$139,906,831.56.

Performance conditions: The 2018 Award is made up of 3 equal tranches. Each tranche consists of 33.33% of the total number of the Performance Awards granted to the Incentive Participants and is measured independently. The first performance measure is resources growth of the Group. The second performance measure is relative total shareholder return as compared against that of the constituents of the Index over the 2018 Performance Period. The third performance measure is relative return on equity as compared against that of the constituents of the Index over the 2018 Performance Period.

The 2019 Award is made up of 3 equal tranches. Each tranche consists of 33.33% of the total number of the Performance Awards granted to the Incentive Participants and is measured independently. The first performance measure is resources growth of the Group. The second performance measure is relative total shareholder return as compared against that of the constituents of the Index over the 2019 Performance Period. The third performance measure is relative return on equity as compared against that of the constituents of the Index over the 2019 Performance Period.

LETTER FROM THE BOARD

The 2020 Award is made up of 3 equal tranches. Each tranche consists of 33.33% of the total number of Performance Awards granted to the Incentive Participants and is measured independently. The first performance measure is resources growth of the Group. The second performance measure is relative total shareholder return as compared against that of the constituents of the Index over the 2020 Performance Period. The third performance measure is relative return on equity as compared against that of the constituents of the Index over the 2020 Performance Period.

The number of an Incentive Participant's Performance Awards that vest is subject to the achievement of the performance measures by the Group, the Incentive Participant's satisfaction of individual performance hurdles under the Company's "My Performance" assessment and the Incentive Participant's continued employment over the relevant performance period.

The Group must meet at least the threshold level of each performance measure in order for any Performance Awards in the corresponding tranche to vest. The threshold level of performance will generate a vesting outcome of 50% in the corresponding tranche of Performance Awards. Should the Group exceed the threshold level of performance for a given performance measure, a greater number of Performance Awards corresponding to that performance measure will be vested, with the specific amount of Performance Awards to be vested determined by reference to the performance outcome score for that relevant performance measure (expressed as a percentage). The maximum performance score is capped at 100% for each performance measure, which is the target level of performance for each tranche of Performance Awards.

The threshold and target levels of the resources growth tranche are 80% replenishment of mineral resources and certain percentages of growth in mineral resources of the Group respectively. In determining such threshold and target levels, the Remuneration Committee reviewed data in relation to resources depletion level and replenishment level since 2013 and considered the anticipated future resources. As a base metal resources company, the resources of the Group deplete naturally during day-to-day operations. Replenishment and additions of metal resources are essential for the sustainable growth of the Group's metal resources. The levels of resources growth tranche of the performance measures target for mineral resources growth is aimed at ensuring such natural depletion is replenished and possibly out-grown.

LETTER FROM THE BOARD

The threshold and target levels of both of the relative total shareholder return tranche and the relative return on equity tranche are equal to or greater than the median and 75th percentile of the performance of the constituents of the Index respectively. The levels of the relative total shareholder return tranche and the relative return on equity tranche of the performance measures are set at levels which the performance of the Group must be in line with or outperform its peers. Such levels will potentially provide comparatively higher return to the Shareholders and enhance the alignment of the interests of the Shareholders and the Incentive Participants.

Vesting:

The vesting of the Performance Awards is subject to certain terms and performance conditions (outlined in detail above) which are applied consistently to all Incentive Participants, regardless of whether they are Connected Incentive Participants or not.

The number of Performance Awards that vest for the Incentive Participants under each relevant tranche of Performance Awards will be equal to the performance outcome score under the relevant performance measure, multiplied by the maximum number of Performance Awards in that relevant tranche.

Vesting will occur on or around June 2021 for the 2018 Award, on or around June 2022 for the 2019 Award, and on or around June 2023 for the 2020 Award.

Restrictions on the subsequent sale of the Award Shares:

In respect of the 2018 Award, the 2019 Award and the 2020 Award, holding lock periods will apply to 50% of the Award Shares held by the Incentive Participants from the time of vesting.

Of these holding-locked Award Shares, half of the Award Shares may be sold on or after one year from the end of the relevant performance periods (i.e. 1 January 2022, 1 January 2023 and 1 January 2024 for the 2018 Award, the 2019 Award and the 2020 Award respectively), and the remaining half may be sold on or after two years for the 2018 Award, the 2019 Award and the 2020 Award respectively from the end of the relevant performance period (i.e. 1 January 2023 for the 2018 Award, 1 January 2024 for the 2019 Award and 1 January 2025 for the 2020 Award respectively).

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Fundraising activities in the past 12 months: The Company had not engaged in any fundraising exercises in the 12 months immediately preceding the Latest Practicable Date.

The details of the Connected Incentive Participants are as follows:

	2018 Award⁽¹⁾	2019 Award⁽¹⁾	2020 Award⁽¹⁾
	Number of	Number of	Number of
	Connected Award	Connected Award	Connected Award
	Shares assuming	Shares assuming	Shares assuming
	full vesting	full vesting	full vesting
Director			
Gao Xiaoyu	N/A	5,604,754	12,130,042
<i>Subtotal</i>	N/A	5,604,754	12,130,042
Directors of Significant Subsidiaries of the Company			
Ross Carroll	976,667	1,730,688	3,745,628
Troy Hey ⁽²⁾	652,167	1,068,528	2,312,552
Edgardo Orderique	322,243	633,799	1,401,060
Guan Xiangjun	271,492	483,592	992,828
Michel Stevering	234,281	419,032	906,886
Alvaro Ossio	N/A	476,772	1,041,656
Sam Rodda	N/A	420,046	909,081
Wei Jianxian	N/A	N/A	2,428,504
Li Liangang	N/A	N/A	2,295,115
Angus Henderson	N/A	N/A	839,151
Charles Kyona	N/A	N/A	619,642
<i>Subtotal</i>	2,456,850	5,232,457	17,492,103
Total	2,456,850	10,837,211	29,622,145

Notes:

1. The 2018 Award, 2019 Award and 2020 Award, as performance awards, are similar to the 2015 Award and 2017 Award but structured differently to other recent awards under the Long Term Incentive Equity Plan, including:
 - a. an award of options to relevant participants in 2013 in accordance with Chapter 17 “Share Option Schemes” of the Listing Rules (which options, following vesting, were eligible to be exercised at a specified price in exchange for Shares). For more details, please refer to the circular of the Company dated 8 March 2013;

LETTER FROM THE BOARD

b. an award of cash to relevant participants in 2014; and

c. an award of options to relevant participants in 2016,

all of which other recent awards were subject to separate vesting and performance conditions.

2. Troy Hey is the only overlapping participant under the share option scheme adopted by the Company on 26 March 2013 and the Long Term Incentive Equity Plan, on the basis that he was an employee of a member of the Group when the share option scheme was adopted. All other Incentive Participants were not eligible participants under the share option scheme.

Conditions to the Issue

The Issue, to the extent they vest in accordance with their terms, shall be subject to the following conditions:

- (a) the grant of the listing approval by the Stock Exchange in respect of the Connected Award Shares; and
- (b) the approval by the Independent Shareholders at the EGM in respect of the Issue.

Application has been made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the aggregate of up to 104,451,681 Award Shares, including up to 42,916,206 Connected Award Shares.

Reasons for the Issue

The Group recognises that the Group's success is critically dependent on its ability to retain able executive directors and key senior employees, and to ensure that their compensation terms are competitive. The Group has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their role, their performance, market requirements and the performance of the Group.

In 2012, the Board adopted the Long Term Incentive Equity Plan (save for the Chapter 17 share option scheme component, which was subject to approval by the Shareholders of the Company) to enable the Company to grant awards to selected employees of the Group as incentives or rewards for their contribution to the development of the Group. Permanent employees of any member of the Group in executive or senior roles on the date on which an award is granted under the Long Term Incentive Equity Plan can be a participant.

The principal objectives of the Long Term Incentive Equity Plan and the proposed Issue are to align the interests of executive directors and key senior employees with those of Shareholders, recognise the contribution of such persons, and to incentivise them to remain in employment with the Group, through the application of performance conditions that ensure such persons are rewarded when Shareholders benefit from the performance of the Company.

LETTER FROM THE BOARD

Pursuant to the terms of the Long Term Incentive Equity Plan, eligible persons may be granted (i) a conditional right to acquire and/or subscribe for Shares granted under the Long Term Incentive Equity Plan (the “**Conditional Award**”); (ii) a right to acquire Shares granted under the Long Term Incentive Equity Plan (the “**Option**”); (iii) cash award; (iv) forfeitable Shares held in the name of or for the benefit of the Incentive Participant subject to the forfeitable share agreement to be entered into between an incentive participant and the Company (to the extent that the forfeitable Shares lapses under the Long Term Incentive Equity Plan, the Shares granted are forfeited and the incentive participant will immediately transfer his or her interest in the Shares, for no consideration or nominal consideration, to any person specified by the Company) (the “**Forfeitable Shares**”); or (v) a combination of the above. Such conditional right under the Performance Awards will usually lapse at the end of the tenth anniversary of the grant of the right or six months after the person holding an award ceases to be an employee of any member of the Group. The grant of Options pursuant to the terms of the Long Term Incentive Equity Plan is subject to Chapter 17 of the Listing Rules. If eligible persons are granted with a Conditional Award or Forfeitable Shares, the Company may issue new Shares by general mandate or specific mandate, or purchase Shares from the market, to satisfy such award. The Board resolved that the Connected Award Shares, which, subject to satisfying the Conditions to the Issue summarised above and to vesting in accordance with their terms, will be granted to the Connected Incentive Participants in respect of the 2018 Award, the 2019 Award and the 2020 Award, will be satisfied through the issue of new Shares. Satisfying these Award Shares through the issue of new Shares rather than the purchase of existing Shares will mean that no cash payments need to be made by the Group to acquire existing Shares, since the Award Shares will be satisfied with the issue of new Shares by the Company. If the conditions to the Issue summarised above are not satisfied, the Company must still discharge its obligations under each of the 2018 Award, the 2019 Award and the 2020 Award, meaning such Award Shares would instead be satisfied via the purchase of existing Shares from the market. The Board resolved to pursue the Issue rather than purchase of existing Shares from the market as the Issue will allow the Company to retain the equivalent amount of cash that would otherwise have been used to purchase existing Shares from the market. As such, the Issue provides an alternative to purchase of existing Shares which allows the Company to preserve its cash resources. These preserved cash resources are proposed to be used for the Group’s day-to-day operations and/or any future mineral resources replenishment opportunities.

Pursuant to the terms of the Long Term Incentive Equity Plan, eligible persons may also be granted options to acquire Shares. Please refer to the circular of the Company dated 8 March 2013 for more details. The Board considers it more appropriate to grant Conditional Award, rather than Options, to eligible persons for a range of reasons, including: (i) it delivers fungible shares to participants with an embedded value, increasing alignment with shareholders and encouraging longer term shareholding; (ii) by contrast, Options encourage share disposal due to the risk of their lapsing at a price that is lower than the exercise price of the Options and (iii) as the exercise price of Options is required to be set at the prevailing market price pursuant to Chapter 17 of the Listing Rules, the number of Options to be issued will generally be higher than the number of award shares, resulting in a greater potential shareholding dilution to Shareholders upon the exercise of the share options.

The Board is of the view that the terms of the proposed Issue are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

The proposed Issue constitutes a non-exempt connected transaction of the Company under the Listing Rules, and is therefore subject to reporting, announcement and Independent Shareholders' approval requirements at the EGM.

Pursuant to the Listing Rules, the resolutions proposed at the EGM will be taken by way of poll and an announcement will be made after the EGM on the results of the EGM.

Pursuant to Rule 13.36(2)(b) of the Listing Rules, conditional upon approval by the Independent Shareholders at the EGM in respect of the Issue being obtained, the new Award Shares (including the Connected Award Shares) can be issued pursuant to the General Mandate.

Mr Gao Xiaoyu has abstained from approving the relevant board resolution on the Issue. All the other Directors (excluding the independent non-executive Directors whose views are set out in the "Letter from the Independent Board Committee" of this circular) have approved the Issue.

Pursuant to Chapter 14A of the Listing Rules, the Connected Incentive Participants and their respective associates are required to abstain from voting on the relevant resolution at the EGM to approve the Issue. To the best of the knowledge of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the Connected Incentive Participants and their respective associates hold in aggregate a total of 2,547,000 Shares (approximately 0.0316% of the Shares in issue as at the Latest Practicable Date) and are required to abstain from voting at the EGM to approve the Issue.

As at the Latest Practicable Date, the identities and the respective shareholding for the Connected Incentive Participants and their respective associates who are required to abstain from voting on the relevant resolution at the EGM to approve the Issue are as follows:

	Number of Shares abstain from voting	Approximate percentage of Shares in issue
Connected Incentive Participants		
Gao Xiaoyu	0	0%
Ross Carroll	200,000	0.0025%
Troy Hey	1,637,250	0.0203%
Edgardo Orderique	0	0%
Guan Xiangjun	0	0%
Michel Stevering	199,527	0.0025%
Alvaro Ossio	181,207	0.0022%
Sam Rodda	201,000	0.0025%
Wei Jianxian	0	0%
Li Liangang	0	0%
Angus Henderson	128,016	0.0016%
Charles Kyona	0	0%
Total	<u>2,547,000</u>	<u>0.0316%</u>

LETTER FROM THE BOARD

Save for the Connected Incentive Participants and their respective associates, to the best of the Directors' knowledge, information and belief, no other Shareholder has a material interest in the 2018 Award, the 2019 Award and the 2020 Award and accordingly none of them is required to abstain from voting on the relevant resolution to approve the Issue at the EGM.

INFORMATION ABOUT THE GROUP

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

EGM

A notice convening the EGM of the Company to be held on Thursday, 4 March 2021 at 10:30 a.m. at Monet Room B, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the relevant resolution to approve the Issue will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

ACTION TO BE TAKEN

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 10:30 a.m. on Tuesday, 2 March 2021. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 1 March 2021 to Thursday, 4 March 2021, inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 26 February 2021.

The record date for determining Shareholders' eligibility to attend and vote at the EGM will be Friday, 26 February 2021.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 16 of this circular, which contains its recommendation to the Independent Shareholders as to the Issue; and (ii) the letter from Somerley set out on pages 17 to 32 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Issue, and reasons considered by it in arriving at its opinion.

GENERAL

Your attention is drawn to the general information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
MMG Limited
Gao Xiaoyu
CEO and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



MMG LIMITED

五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(STOCK CODE: 1208)

10 February 2021

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 10 February 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Somerley Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Issue.

Your attention is drawn to the “Letter from the Board” set out on pages 5 to 15 of the Circular which contains, inter alia, information about the terms of the Issue and the “Letter of advice from Somerley” set out on pages 17 to 32 of the Circular which contains its advice in respect of the Issue together with the principal factors taken into consideration in arriving at its opinion in respect of the Issue.

We have considered the principal factors taken into account by Somerley in arriving at its opinion in respect of the Issue. We concur with the views of Somerley that the Issue is 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 Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution in respect of the Issue.

Yours faithfully,

For and on behalf of the
Independent Board Committee of
MMG Limited

Dr Peter William Cassidy

*Independent
non-executive Director*

Mr Leung Cheuk Yan

*Independent
non-executive Director*

Mr Chan Ka Keung, Peter

*Independent
non-executive Director*

LETTER OF ADVICE FROM SOMERLEY

Set out below is the text of the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the Issue for inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

10 February 2021

To : the Independent Board Committee and the Independent Shareholders of MMG Limited

Dear Sirs,

CONNECTED TRANSACTION ISSUE OF NEW SHARES TO CONNECTED PERSONS UNDER LONG TERM INCENTIVE EQUITY PLAN

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Issue to the Connected Incentive Participants under the Long Term Incentive Equity Plan. Details of the Issue are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 10 February 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 2 December 2020 in relation to (i) the grant of up to 9,517,609 Performance Awards to 26 Incentive Participants on 29 June 2018; (ii) the grant of up to 22,194,175 Performance Awards to 27 Incentive Participants on 3 May 2019; and (iii) the grant of up to 72,739,897 Performance Awards to 101 Incentive Participants on 29 April 2020 under the Long Term Incentive Equity Plan (the “**Announcement**”).

As the Issue involves the granting of the Award Shares to a total of 12 Connected Incentive Participants under the 2018 Award, the 2019 Award and the 2020 Award, it constitutes a non-exempted connected transaction of the Company under the Listing Rules, and is therefore subject to reporting, announcement and Independent Shareholders' approval requirements. Pursuant to Chapter 14A of the Listing Rules, the Connected Incentive Participants and their respective associates are required to abstain from voting on the relevant resolution at the EGM to approve the Issue.

LETTER OF ADVICE FROM SOMERLEY

The Independent Board Committee, comprising all three of the Company's independent non-executive Directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan and Mr Chan Ka Keung, Peter, has been formed to make recommendation to the Independent Shareholders on (i) whether the Issue is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) whether the terms of the Issue are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

During the past two years, we have not acted as an independent financial adviser to the Company. In addition, we are not associated with the Company, the Connected Incentive Participants or their respective close associates, associates or core connected persons (all as defined under the Listing Rules) and accordingly we are considered eligible to give independent advice on the proposed Issue. Apart from normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, the Connected Incentive Participants or their respective close associates, associates or core connected persons.

In formulating our opinion, we have reviewed, amongst other documents, the Long Term Incentive Equity Plan, the guidebooks provided to the Incentive Participants in respect of the 2018 Award, the 2019 Award and the 2020 Award (the "**Grant Guidebooks**"), the Announcement, the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**"), the interim report of the Company of the six months ended 30 June 2020 and the information contained in the Circular.

We have relied on the information and facts supplied, and the opinions expressed to us, by the management of the Group (the "**Management**") which we have assumed to be true, accurate, complete and not misleading in all material aspects at the relevant time they were supplied or expressed. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

LETTER OF ADVICE FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the proposed Issue, we have taken into account the principal factors and reasons set out below:

1. Information of the Group

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

2. Background of and reasons for the proposed Issue

The Group recognises that the Group's success is critically dependent on its ability to retain able executive directors and key senior employees, and to ensure that their compensation terms are competitive. The Group has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their roles, their performance, market requirements and the performance of the Group. Employee benefits include market-competitive fixed remuneration, performance-related incentives and, amongst others, the Long Term Incentive Equity Plan.

In 2012, the Board adopted the Long Term Incentive Equity Plan (save for the Chapter 17 share option scheme component, which was subject to approval by the Shareholders) to enable the Company to grant awards to selected employees of the Group as incentives or rewards for their contribution to the development of the Group. Permanent employees of any member of the Group in executive or senior roles on the date on which an award is granted under the Long Term Incentive Equity Plan can be a participant.

As set out in the letter from the Board contained in the Circular, the principal objectives of the Long Term Incentive Equity Plan and the proposed Issue are to align the interests of executive directors and key senior employees with those of Shareholders, recognise the contribution of such persons, and to incentivise them to remain in employment with the Group, through the application of performance conditions that ensure such persons are rewarded when Shareholders benefit from the performance of the Company.

Pursuant to the terms of the Long Term Incentive Equity Plan, eligible persons may be granted (i) a conditional right to acquire and/or subscribe for Shares granted under the Long Term Incentive Equity Plan (the “**Conditional Award**”); (ii) a right to acquire Shares granted under the Long Term Incentive Equity Plan (the “**Option**”); (iii) cash award; (iv) forfeitable Shares held in the name of or for the benefit of the Incentive Participant subject to the forfeitable share agreement to be entered into between an incentive participant and the Company (to the extent that the forfeitable Shares lapses under the Long Term Incentive Equity Plan, the Shares granted are forfeited and the incentive participant will immediately transfer his or her interest in the Shares, for no consideration or nominal consideration, to any person specified by the Company) (the “**Forfeitable Shares**”); or (v) a combination of the above. Such conditional right under the Performance Awards will usually lapse at the end of the tenth anniversary of the grant of the right or six months after the person holding an award ceases to be an employee of any member of the Group. The grant of Options pursuant to the terms of the Long Term Incentive Equity Plan is subject to Chapter 17 of the Listing Rules. If eligible persons are granted with a Conditional Award or Forfeitable Shares, the Company may issue new

LETTER OF ADVICE FROM SOMERLEY

Shares by general mandate or specific mandate, or purchase Shares from the market, to satisfy such award (which will not be subject to the above scheme limit). Please refer to the circular of the Company dated 8 March 2013 for more details of the Long Term Incentive Equity Plan (the “**2013 LTI Circular**”). The Board resolved that the Connected Award Shares, which, subject to satisfying the Conditions to the Issue (including the approval by the Independent Shareholders) and to vesting in accordance with their terms, will be granted to the Connected Incentive Participants in respect of the 2018 Award, the 2019 Award and the 2020 Award, will be satisfied through the issue of new Shares (as opposed to the purchase of existing Shares from the market). Satisfying these Award Shares through the issue of new Shares rather than the purchase of existing Shares will mean that no cash payments need to be made by the Group to acquire existing Shares, since the Award Shares will be satisfied with the issue of new Shares by the Company. Independent Shareholders are reminded that if the conditions to the Issue are not satisfied (e.g. the approval by the Independent Shareholders at the EGM in respect of the Issue is not obtained), the Company must still discharge its obligations under each of the 2018 Award, the 2019 Award and the 2020 Award, meaning such Award Shares would instead be satisfied via the purchase of existing Shares from the market. We note from our discussion with the Management that the Issue is being pursued instead of the purchase of existing Shares from the market as the Issue will allow the Company to retain the equivalent amount of cash that would otherwise have been used to purchase existing Shares from the market. As such, the Issue provides an alternative to purchase of existing Shares which allows the Company to preserve its cash resources. These preserved cash resources are proposed to be used for the Group’s day-to-day operations and/or any future mineral resources replenishment opportunities. Please refer to the sections headed “5. Financial effects of the Issue” and “6. Effects on shareholding dilution” below for further details on the Issue, including its dilutive effect on existing shareholdings of the Shareholders in the Company.

Pursuant to the terms of the Long Term Incentive Equity Plan, eligible persons may also be granted options to acquire Shares. Please refer to the 2013 LTI Circular for details. Also, it is noted that the Board considers it more appropriate to grant Conditional Award, rather than Options, to eligible persons for a range of reasons, including: (i) it delivers fungible shares to participants with an embedded value, increasing alignment with Shareholders and encouraging longer term shareholding; (ii) by contrast, Options encourage share disposal due to the risk of them lapsing at a price that is lower than the exercise price of the Options; and (iii) as the exercise price of Options is required to be set at the prevailing market price pursuant to Chapter 17 of the Listing Rules, the number of Options to be issued will generally be higher than the number of award shares, resulting in a greater potential shareholding dilution to the Shareholders upon the exercise of the share options. We have weighed pros and cons for the grant of award shares and that for the grant of share options and we concur with the Board’s view such that the grant of award shares do have advantages in aligning the long-term goals between the Shareholders and the employees and encouraging longer term shareholding. In addition, we have also reviewed the Memorandum (as defined below) and remuneration reports prepared by the Compensation Expert (as defined below) and we note the grant of award shares is a common market practice.

We also understand that the proposed Issue has been reviewed and approved by the Board (excluding Mr Gao Xiaoyu, the executive Director).

LETTER OF ADVICE FROM SOMERLEY

3. Background and basis of selecting the Connected Incentive Participants

The Company has granted a total of 9,517,609 Performance Awards, 22,194,175 Performance Awards and 72,739,897 Performance Awards under the 2018 Award, the 2019 Award and the 2020 Award respectively, of which an aggregate of 2,456,850 Performance Awards, 10,837,211 Performance Awards and 29,622,145 Performance Awards were granted to the Connected Incentive Participants under the 2018 Award, the 2019 Award and the 2020 Award respectively. The identity of, roles and responsibilities of and number of Performance Awards granted to each Connected Incentive Participant are set out in the table below.

Name	Position/Title	Roles and responsibilities	2018 Award		2019 Award		2020 Award		Total	
			Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date		
Director of the Company										
Gao Xiaoyu	Chief Executive Officer and Executive Director	Responsible for the leadership and performance of the Group globally	—	0.00%	5,604,754	0.07%	12,130,042	0.15%	17,734,796	0.22%
Directors of Significant Subsidiaries of the Company										
Ross Carroll	Chief Financial Officer	Responsible for the Group's global commercial and finance, mergers and acquisitions, project delivery and legal, risk and company secretarial functions	976,667	0.01%	1,730,688	0.02%	3,745,628	0.05%	6,452,983	0.08%

LETTER OF ADVICE FROM SOMERLEY

Name	Position/Title	Roles and responsibilities	2018 Award		2019 Award		2020 Award		Total	
			Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date		
Troy Hey <i>(Note)</i>	Executive General Manager - Corporate Relations	Responsible for the Group's external stakeholder relations, human resources and business services in the jurisdictions in which the Group operates globally	652,167	0.01%	1,068,528	0.01%	2,312,552	0.03%	4,033,247	0.05%
Edgardo Oderique	General Manager Operations - Las Bambas	Responsible for mine, maintenance, mill plant operations and technical services, safety, health and environment, community relations, logistics and site services, and internal protection for Minera Las Bambas	322,243	0.004%	633,799	0.01%	1,401,060	0.02%	2,357,102	0.03%
Guan Xiangjun	General Manager Stakeholder Relations	Responsible for the Group's corporate affairs	271,492	0.003%	483,592	0.01%	992,828	0.01%	1,747,912	0.02%

LETTER OF ADVICE FROM SOMERLEY

Name	Position/Title	Roles and responsibilities	2018 Award		2019 Award		2020 Award		Total	
			Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date		
Michel Stevering	General Manager Finance	Responsible for the Group's global treasury, global tax, financial and management reporting and budgeting	234,281	0.003%	419,032	0.01%	906,886	0.01%	1,560,199	0.02%
Alvaro Ossio	General Manager Commercial, Finance and Business Support - Las Bambas	Responsible for finance and business evaluation, controllership and taxes, human resources, legal and land management	—	0.00%	476,772	0.01%	1,041,656	0.01%	1,518,428	0.02%
Sam Rodda	General Manager Operations and Technical Excellence	Responsible for coordinating support for the operations in safety, efficiency (cost), production and risk	—	0.00%	420,046	0.01%	909,081	0.01%	1,329,127	0.02%

LETTER OF ADVICE FROM SOMERLEY

Name	Position/Title	Roles and responsibilities	2018 Award			2019 Award			2020 Award			Total
			Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date		
Wei Jianxian	Executive General Manager - Americas	Responsible for the Group's mining operations in America including Las Bambas	—	0.00%	—	0.00%	2,428,504	0.03%	2,428,504	0.03%	0.03%	
Li Liangang	Executive General Manager - Australia and Commercial	Responsible for the Group's mining operations in Australia, marketing and supply chain	—	0.00%	—	0.00%	2,295,115	0.03%	2,295,115	0.03%	0.03%	
Angus Henderson	General Manager Commercial and Business Support - Australia	Responsible for commercial, supply chain / procurement, sales and marketing, human resources, information technology and stakeholder relations for the Group's operations in Australia	—	0.00%	—	0.00%	839,151	0.01%	839,151	0.01%	0.01%	

LETTER OF ADVICE FROM SOMERLEY

Name	Position/Title	Roles and responsibilities	2018 Award		2019 Award		2020 Award		Total	
			Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date		
Charles Kyona	Manager Stakeholder Relations - Democratic Republic of the Congo	Responsible for stakeholder relations matters in relation to the Group's mining operations in the Democratic Republic of the Congo	—	0.00%	—	0.00%	619,642	0.01%	619,642	0.01%
			2,456,850	0.03%	5,232,457	0.06%	17,492,103	0.22%	25,181,410	0.31%
			2,456,850	0.03%	10,837,211	0.13%	29,622,145	0.37%	42,916,206	0.53%

Note: Troy Hey is the only overlapping participant under the share option scheme adopted by the Company on 26 March 2013 and the Long Term Incentive Equity Plan, on the basis that he was an employee of a member of the Group when the share option scheme was adopted. All other Incentive Participants were not eligible participants under the share option scheme.

LETTER OF ADVICE FROM SOMERLEY

Mr Gao Xiaoyu (“**Mr Gao**”) is the only executive Director among all the Connected Incentive Participants. Mr Gao was appointed as the Chief Executive Officer of the Company and re-designated from a non-executive Director to an executive Director of the Company in August 2018. He served as a non-executive Director from April 2011 to July 2018. Mr Gao was a member of the Company’s audit committee, governance and nomination committee, remuneration committee and risk management committee from May 2013, February 2017, August 2015 and October 2015 to July 2018 respectively. Further information on the biography of Mr Gao can be found in the annual reports of the Company in recent financial years.

In addition to the above, we have also reviewed the biographies and roles and responsibilities in the Group of other Connected Incentive Participants. Based on our review, we are of the view that Mr Gao and the other Connected Incentive Participants are capable of having a significant influence on the performance of the Group.

4. Key terms of the 2018 Award, the 2019 Award and the 2020 Award

Set out below is a summary of the principal terms of the 2018 Award, the 2019 Award and the 2020 Award, as extracted from the Grant Guidebooks. These terms are applied consistently to all Incentive Participants, regardless of whether they are Connected Incentive Participants or not. Further details of the principal terms of the 2018 Award, the 2019 Award and the 2020 Award are set out in the letter from the Board contained in the Circular.

(i) Performance Awards

A Performance Award under the Long Term Incentive Equity Plan is a contractual right, granted to an Incentive Participant, to be given a relevant number of Award Shares for nil cash consideration if relevant performance targets are achieved. The Performance Awards do not confer rights to the Incentive Participants as Shareholders until such time as the performance targets are achieved, the Performance Awards are vested and the Performance Awards are converted for the Award Shares. The Award Shares will, to the extent that they are to be satisfied with the issue of new Shares rather than the purchase of existing Shares from the market, be allotted and issued under the General Mandate.

According to a memorandum prepared by PricewaterhouseCoopers Consulting (Australia) Pty Limited, the consultant engaged by the Company, in October 2018 on the long-term incentive plan market practices and trend of companies in Australia and overseas jurisdictions (the “**Memorandum**”), grants of performance rights have been the most common long-term incentive vehicle amongst the then top 100 largest companies listed on the Australian Securities Exchange (the “**ASX100 Companies**”) and companies in the resources sector amongst the ASX100 Companies (the “**ASX100 Resources Companies**”). Such grants of performance rights have been generally made to chief executives and senior management of the Company’s peer companies. As the Company’s senior management is mostly based in Australia and the ASX100 Resources Companies comprise reputable international mining companies, the findings in the Memorandum provide valuable insights into the long-term incentive plan market practices and trends for assessment of the Issue.

LETTER OF ADVICE FROM SOMERLEY

(ii) Performance period

The Long Term Incentive Equity Plan rewards performance of the Incentive Participants over a three-year period against the performance targets (as discussed in paragraph (iv) below). The performance periods are from 1 January 2018 to 31 December 2020, 1 January 2019 to 31 December 2021 and 1 January 2020 to 31 December 2022 (the “**Performance Periods**”) for the 2018 Award, the 2019 Award and the 2020 Award respectively. The Group’s achievement against the corresponding performance targets will be determined in early 2021, early 2022 and early 2023 for the 2018 Award, the 2019 Award and the 2020 Award respectively for the purpose of vesting of the Performance Awards.

According to the Memorandum, 63% of the ASX100 Companies and 47% of the ASX100 Resources Companies set their performance period to be three years, which makes the three-year performance period the most common practice.

We also consider the Performance Periods to be sufficient (but not prolonged) periods of time to evaluate the performance of the Group, while not losing sight of the Incentive Participants’ interests in realising their Performance Awards.

(iii) Performance Measures

Each of the 2018 Award, the 2019 Award and the 2020 Award is made up of three equal tranches and each tranche is measured independently. Each tranche has its respective performance measures (the “**Performance Measures**”) as set out below.

- The first performance measure is resources growth of the Group, as represented by the changes in the Group’s total mineral resources level as stated in the Group’s mineral resources and ore reserves statement over the Performance Period.
- The second performance measure is the relative performance of the Company’s total shareholder return (“**TSR**”) as compared against that of the constituents of the Index over the Performance Period.
- The third performance measure is the relative performance of the Company’s return on equity (“**ROE**”) as compared against that of the constituents of the Index over the Performance Period.

In addition to the above, each Incentive Participant has his/her individual performance measure(s) for each of the 2018 Award, the 2019 Award and the 2020 Award.

In evaluating the selection of the aforesaid Performance Measures, we take note of the Group’s growth strategy of aiming to create shareholder wealth by discovering, acquiring, developing and sustainably operating resources projects around the world. We also understand that as a base metal resources company, the resources of the Group deplete naturally during the Group’s day-to-day operations. Replenishment and additions of metal resources through acquisitions and exploration are essential for the sustainable growth of the Group’s metal resources. Shareholders’ value of base metal resources companies, without replenishment and the addition of resources on a regular basis, is more

LETTER OF ADVICE FROM SOMERLEY

likely to be subject to downward pressures. Also, resources growth is one of the capacity-driven performance measures adopted by the Company's mining industry peers. In addition, we note from the Memorandum that strategically oriented measures are commonly adopted by the ASX100 Companies and the ASX100 Resources Companies to align the incentive participants with the organisation's strategic objectives and to factors within the control of management to enhance motivation to achieve. Accordingly, we consider that the inclusion of resources growth as one of the Performance Measures is in line with the Group's strategy of increasing Shareholders' wealth by expansionary means to broaden the Group's resources.

TSR is the total return of a stock to an investor, or the capital gain plus dividends. TSR is the internal rate of return of all cash flows to an investor during the holding period of an investment. Relative TSR is a market-based performance measure that substantially aligns the interests of the Shareholders with the Incentive Participants. The higher the relative TSR, the higher the likelihood for the Shareholders to benefit from investing in the Shares as compared to the shares of peer companies. In addition, in accordance with the Memorandum, relative TSR had been a common performance measure adopted by the ASX100 Companies and the ASX100 Resources Companies for assessment of performance under relevant companies' long-term incentive plans.

ROE is the amount of net income return as a percentage of shareholders' equity. ROE measures a corporation's profitability by revealing how much profit a company generates with the money which shareholders have invested. Relative ROE is an accounting-based performance measure that assesses the profitability of the Company. The higher the relative ROE, the higher the likelihood for the Shareholders to benefit from investing in the Shares (through distribution of profits or capital appreciation as a result of increased profits) as compared to the shares of peer companies. In addition, in accordance with the Memorandum, ROE, together with TSR, were the most commonly adopted measures in the assessment of performance under the relevant companies' long-term incentive plans.

As mentioned above, the Index is used for comparison of the Company's TSR and ROE against that of the constituents of the Index. The Index (i.e. the EMIX Global Mining Indices) had 153 constituents covering 28 different markets as at 29 January 2021 and it measures the returns of companies in the metal and mineral extraction industries. As advised by the Management, the Index was selected originally as it was the mining index that had been in place for a long period with data covering the period from 1985 and it is well regarded globally and it has a robust methodology behind it.

In addition to the Performance Measures, we note that the vesting of Incentive Participants' Performance Awards is also subject to the Incentive Participants' satisfaction of individual performance hurdles under the Company's "My Performance" assessment and continued employment over the performance period. We are of the view that, when looked at in conjunction with the Performance Measures, these vesting conditions are reasonable mechanisms to ensure that each Incentive Participant fulfils his/her individual goals before his/her Performance Awards are eligible to vest.

LETTER OF ADVICE FROM SOMERLEY

(iv) Performance targets

The number of the Incentive Participant's Performance Awards that will vest is subject to the achievement of the Performance Measures by the Group, provided that the requirements for individual performance of the Incentive Participant are also met.

The Group must meet at least the threshold level of the Performance Measures of the corresponding tranche of the Performance Awards for any vesting of that tranche of the Performance Awards. The threshold level of performance will generate an outcome score of 50% (i.e. half of the Performance Awards will be vested). Should the Group exceeds the threshold level of the Performance Measures, a greater number of Performance Awards corresponding to that Performance Measure will be vested, which depends on the performance outcome score (expressed as a percentage). The maximum performance score is capped at 100%, which is the target level of the Performance Measures, for each tranche of the Performance Awards. The number of Performance Awards that vest for the Incentive Participants under the relevant tranche of the Performance Awards will be equal to the performance outcome score under the relevant tranche of the Performance Measures multiplied by the maximum number of the Performance Awards granted in that tranche.

The threshold and target levels of the resources growth tranche are 80% replenishment of mineral resources and certain percentages of growth in mineral resources of the Group respectively. According to our review of the Company's board meeting minutes, the Remuneration Committee had discussions in relation to the resources replenishment level. We are given to understand that the Remuneration Committee reviewed data in relation to resources depletion level and replenishment level since 2013 and considered the anticipated future resources in order to determine the threshold level of the resources growth tranche to be 80% resources replenishment. Since the determination of the threshold (i.e. 80% replenishment) and target levels of the resources growth tranche has made reference the actual achievements of the replenishment/growth of the resources in the recent past and the anticipated resources level in the future of the Group, we are of the view that the basis of such determination is fair and reasonable. As a base metal resources company, the resources of the Group deplete naturally during day-to-day operations. Replenishment and additions of metal resources are essential for the sustainable growth of the Group's metal resources. The levels of resources growth tranche of the Performance Measures target for mineral resources growth is aimed at ensuring such natural depletion is replenished and possibly out-grown.

The threshold and target levels of both the relative TSR tranche and the relative ROE tranche are equal to or greater than the median and 75th percentile of the performance of the constituents of the Index respectively. The levels of the relative TSR tranche and the relative ROE tranche of the Performance Measures are set at levels which the performance of the Group must be in line with or outperform the peers. Such levels will potentially provide comparatively higher return to the Shareholders and enhance the alignment of the interests of the Shareholders and the Incentive Participants.

LETTER OF ADVICE FROM SOMERLEY

(v) Total quantum of the Performance Awards

The quantum of the Performance Awards for each of the Incentive Participants, including the Chief Executive Officer, the Executive General Managers and other senior management of the Group, was determined with reference to, amongst other things, the total fixed remuneration, the percentage of long-term incentive to total fixed remuneration, seniority and complexity of the work of the Incentive Participants and the prevailing market price of the Shares.

The Remuneration Committee regularly seeks review of the remuneration levels of the senior management of the Group from Korn Ferry, an independent reputable compensation expert (the “**Compensation Expert**”). In order to further assess the fairness and reasonableness of the remuneration levels of the Incentive Participants, we have obtained and reviewed the reports issued by the Compensation Expert in 2018, 2019 and 2020. In our review, we note that the Compensation Expert applied their own proprietary evaluation method based on their proprietary data base which includes more than 290,000 incumbents serving in 457 organisations in Australia. Also, we note that the remuneration packages, including the total fixed remuneration and the long-term incentive (i.e. the 2018 Award, the 2019 Award and the 2020 Award), of the Connected Incentive Participants generally fall within the range of those of the executives in similar capacities employed by industry peers.

(vi) Holding lock periods

Holding lock periods will apply to 50% of the Award Shares held by the Incentive Participants from the time of vesting. Of these holding locked Award Shares, half of them may be sold on or after one year from the end of the relevant Performance Periods (i.e. 1 January 2022, 1 January 2023 and 1 January 2024 for the 2018 Award, the 2019 Award and the 2020 Award respectively), and the remaining half may be sold on or after two years for the 2018 Award, the 2019 Award and the 2020 Award respectively from the end of the relevant Performance Periods (i.e. 1 January 2023, 1 January 2024 and 1 January 2025 for the 2018 Award, the 2019 Award and the 2020 Award respectively).

We consider the above holding lock periods appropriate for the continuous alignment of interests of the Shareholders and the Incentive Participants.

Based on the above assessment, we are of the opinion that the terms (including the vesting conditions) of the 2018 Award, the 2019 Award and the 2020 Award pursuant to the Company’s Long Term Incentive Equity Plan to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Financial effects of the Issue

The fair value of the Performance Awards proposed to be granted to the Incentive Participants is recognised as an expense in the consolidated statement of profit or loss of the Company with, prior to the issuance of the Award Shares, a corresponding amount in a share-based payment reserve account in the equity in the consolidated statement of financial position of the Company over the Performance Period (i.e. three years). The estimated fair value of the Performance Awards was determined at the date of grant by using Monte Carlo Simulations (for the market based condition, i.e. TSR) and with reference to the share price at the grant dates for the 2018 Award, the 2019 Award and the 2020 Award. Non-market based vesting conditions (i.e. resources growth and ROE) are included in assumptions about the number of the Performance Awards that are expected to vest.

LETTER OF ADVICE FROM SOMERLEY

At each reporting date, the Group will revise its estimates of the number of the Performance Awards that are expected to vest based on non-market based vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss with a corresponding adjustment to a share-based payment reserve account in the equity in the consolidated statement of financial position of the Company. Upon issuance of the Award Shares under the Performance Awards, the balance in the aforesaid reserve account will be transferred and credited to share capital account in the equity in the consolidated statement of financial position of the Company.

As mentioned in the section headed “2. Background of and reasons for the proposed Issue” above, in the event that approval of the Independent Shareholders in respect of the Issue is not obtained at the EGM, the Company must still discharge its obligations under each of the 2018 Award, the 2019 Award and the 2020 Award via purchase of existing Shares from the stock market. In such circumstances, the Group’s cash will decrease and, correspondingly, the Group’s net asset value will be adversely impacted. For illustration purpose, assuming the purchase of all Connected Award Shares (i.e. 42,916,206 Shares) took place on the Latest Practicable Date at HK\$3.26 per Share, this would reduce the net asset value of the Group by approximately HK\$139.9 million (or equivalent to approximately US\$18.0 million) and the net asset value per Share (based on the consolidated net asset value of the Group as at 30 June 2020 of approximately US\$850.9 million and the total number of Shares in issue of 8,067,617,182 as at the Latest Practicable Date) will decrease by approximately 2.12%. In contrast, the Issue is only expected to have a dilution impact of approximately 0.5291% on the net asset value per Share. Overall, the Issue is expected to have less impact on the net asset value of the Group and able to preserve cash for the Group.

The Issue is not expected to have any significant impact on the cash flows of the Group, but cash resources will be further depleted if the obligations under the 2018 Award, the 2019 Award and the 2020 Award are settled via purchase of existing Shares from the stock market.

Furthermore, there will not be any material difference in the impact on the Group’s consolidated statement of profit or loss between the Issue and purchase of existing Shares from the stock market, in order to satisfy the Company’s obligations under the 2018 Award, the 2019 Award and the 2020 Award.

As discussed above, we take a balanced view of the following factors: (i) the Issue posing a lower dilutive effect on the net asset value per Share than that of purchasing an equivalent number of existing Shares from the stock market; (ii) the importance of retaining cash to support the Group’s operations; and (iii) there will be no material difference in the Group’s profit or loss between the Issue and purchase of existing Shares from the stock market. Having regard to the collective effect of these three factors, we are of the view that the Issue is an acceptable alternative to the purchase of existing Shares from the stock market.

LETTER OF ADVICE FROM SOMERLEY

6. Effects on the shareholding dilution

As at the Latest Practicable Date, there were 8,067,617,182 Shares in issue. The total maximum number of the Connected Award Shares to be issued to the Connected Incentive Participants under the Issue will be 42,916,206 Shares, representing approximately 0.5320% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.5291% of the issued share capital of the Company after completion of the Issue.

Taking into account the reasons for and benefits of the Issue and terms and conditions of the Issue as discussed above, the dilution to the Independent Shareholders upon the issuance of the Connected Award Shares to the Connected Incentive Participants is considered acceptable.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the Issue is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Issue are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders, to vote in favor of the ordinary resolution to be proposed at the EGM in relation to the Issue.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

Mr. Danny Cheng is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, who is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 15 years of experience in the corporate finance industry.

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 Group. The Directors, having made all reasonable inquiries, 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 DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive officer of the Company or any of their associates 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 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 are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Model Code) as set out in Appendix 10 of the Listing Rules were as follows:

Long Position in the Shares and the Underlying Shares

Name of Directors/chief executive officer	Nature of Interest	Number of Shares Held	Number of Underlying Shares Held		Approximate percentage of Shares in issue as at the Latest Practicable Date ³
			Options ¹	Performance Awards ²	
Gao Xiaoyu	Personal	—	—	17,734,796	0.22%
Xu Jiqing	Personal	—	1,164,420	—	0.01%

Notes

- The Directors' interests in the underlying Shares are through options granted by the Company, details of which are set out under the section headed "Share Option Scheme" on pages 30 to 32 of the interim report of the Company for the six months ended 30 June 2020.
- The Directors' interests in the underlying Shares are through performance awards granted by the Company, details of which are set out under section headed "Performance Awards" on pages 33 to 36 of the interim report of the Company for the six months ended 30 June 2020 and the announcement of the Company dated 29 April 2020.

3. The calculation is based on the number of Shares and/or underlying Shares as a percentage of the total number of issued Shares (that is, 8,067,617,182 Shares) as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive officer of the Company or any of their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required 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 are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' interests and short positions in the Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors and chief executive officer of the Company, the following persons had interests or short positions in the Shares or underlying Shares of the Company that were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, that were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial Shareholder	Capacity	Number of Shares directly or indirectly held¹	Approximate percentage of Shares in issue²
China Minmetals Corporation (CMC)	Interest of controlled corporations	5,847,166,374	72.48%
China Minmetals Corporation Limited (CMCL)	Interest of controlled corporations	5,847,166,374	72.48%
China Minmetals Non-ferrous Metals Holding Company Limited (CMNH)	Interest of controlled corporations	5,847,166,374	72.48%
China Minmetals Non-ferrous Metals Company Limited (CMN)	Interest of controlled corporations	5,847,166,374	72.48%
Album Enterprises Limited (Album Enterprises)	Interest of controlled corporations	5,847,166,374	72.48%
China Minmetals H.K. (Holdings) Limited (Minmetals HK)	Beneficial owner	5,847,166,374	72.48%

Notes:

1. Minmetals HK is owned as to approximately 39.04%, 38.95% and 22.01% by CMCL, Album Enterprises and Top Create Resources Limited respectively. Album Enterprises and Top Create Resources Limited are wholly owned

by CMN, which in turn is owned as to approximately 99.999% and 0.001% by CMNH and CMCL respectively. CMNH is a wholly owned subsidiary of CMCL. CMCL is owned as to approximately 87.5% by CMC and approximately 0.8% by China National Metal Products Co. Ltd., which in turn is a wholly owned subsidiary of CMC. Accordingly, each of CMC, CMCL, CMNH, CMN and Album Enterprises was deemed as interested in the 5,847,166,374 Shares held by Minmetals HK.

2. The calculation is based on the number of Shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued Shares (that is, 8,067,617,182 Shares) of the Company as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and chief executive officer of the Company, the Company has not been notified by any persons (other than a Director or chief executive officer of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3 COMPETING INTERESTS

As at the Latest Practicable Date, the interests of Directors in a business that competes or is likely to compete with the businesses of the Group, as defined in the Listing Rules, were as follows:

- (a) Mr Guo Wenqing, a non-executive director and the Chairman of the Company, is a director and the President of CMC, the Chairman of CMCL and the Chairman of China Metallurgical Group Corporation;
- (b) Mr Gao Xiaoyu, an executive director and the chief executive officer of the Company, is a director of CMN and a director of Top Create Resources Limited;
- (c) Mr Jiao Jian, a non-executive director of the Company, is the Vice President of CMC, a director and the President of CMCL, the Chairman of CMN and a director of Hunan Nonferrous Metals Holding Group Co. Ltd.;
- (d) Mr Zhang Shuqiang, a non-executive director of the Company, is the General Manager of the Finance Department of CMC, a director of each of CMNH, CMN and Minmetals HK. He is also the Chairman of Minmetals Finance Co., Ltd.; and
- (e) Mr Xu Jiqing, a non-executive director of the Company, is a director and the President of CMN.

Although the Group and the above companies are involved in businesses in the same industry, they are separate companies operated by separate and independent management. The Company is therefore capable of carrying on its business independently of, and at arm's length from, CMC and its subsidiaries and Hunan Nonferrous Metals Holding Group Co. Ltd.

Save as disclosed above:

- (a) none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group;
- (b) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (c) none of the Directors or chief executive of the Company and their respective close associates (as defined in the Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder of the Company.

4 SERVICE CONTRACTS

As at the Latest Practicable Date, None of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors:

- (a) noted for completeness the Company's profit warnings dated 20 February 2020 and 20 July 2020 respectively; and
- (b) confirmed that there was not any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited consolidated accounts of the Group were made up.

6 MATERIAL LITIGATION

As at the Latest Practicable Date, the following litigations or claims of material importance were known to the Directors to be pending or threatened by or against members of the Group:

1. As disclosed by the Company previously, the Group has been granted warranties and indemnities in relation to certain tax matters arising from the previous ownership of the Las Bambas, i.e. up to 31 July 2014. The Group has sought to enforce those indemnities, commencing litigation in respect of some claims, and other matters are also currently subject to multiple audits and reviews by the Peruvian taxation authority. At 31 December 2020 and 2019, the Group had certain indemnity claims in court against Glencore plc and its subsidiaries. During the year ended 31 December 2020, certain of the indemnity claims from prior year were settled. There are a number of other potential claims where losses may be suffered by the Company in the future arising from adverse tax audit determinations by the Peruvian tax authorities for the period prior to 31 July 2014, in respect of which the Group may also seek to claim upon or enforce these indemnities.
2. As announced by the Company on 23 March 2020, legal proceedings were commenced against MMG Kinsevere SARL, a wholly owned subsidiary of the Company and the owner of the Kinsevere mine in the Democratic Republic of Congo (DRC), by Mining Company Katanga SARL (MCK) in the Lubumbashi Courts in the Haut-Katanga Province in the DRC. The legal proceedings are ongoing, and the Company expects they may not be resolved until later in 2021. Please refer to the Company's announcement dated 23 March 2020 for more details.
3. As announced by the Company on 16 October 2020, Minera Las Bambas S.A. (MLB), the Company's subsidiary, received a judgment from the Peru Tax Court in respect of legal proceedings with the National Superintendence of Tax Administration of Peru (SUNAT) in relation to an assessment of value added tax, penalties and interest. MLB has appealed the decision of the Peru Tax Court. It is noted that appeals in the Peruvian Judiciary System may take several years to resolve. Please refer to the Company's announcement dated 16 October 2020 for more details.

7 QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
Somerley	A corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley had no shareholding interest 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 of any member of the Group.

As at the Latest Practicable Date, Somerley was not interested, directly or indirectly, in any assets which had since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

8 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection during normal business hours at the registered address of the Company in Hong Kong at Unit 1208, 12/F, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong from the date of this circular up to and including 3 March 2021:

- (a) a copy of the Long Term Incentive Equity Plan;
- (b) the letter from the Independent Board Committee to the Independent Shareholders in respect of the Issue;
- (c) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders in respect of the Issue; and
- (d) the letter of consent referred to the paragraph headed “Qualification and Consent of Expert” in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



MMG LIMITED

五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(STOCK CODE: 1208)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (Meeting) of MMG Limited (Company) will be held at 10:30 a.m. on Thursday, 4 March 2021 at Monet Room B, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company. Capitalized terms defined in the circular of the Company dated 10 February 2021 shall have the same meanings when used in this notice unless otherwise specified.

“THAT

- (a) to the extent they vest in accordance with their terms, the issue and allotment of up to 42,916,206 new Connected Award Shares to up to 12 Connected Incentive Participants in respect of the 2018 Award, the 2019 Award and the 2020 Award pursuant to the Long Term Incentive Equity Plan is hereby approved and confirmed; and
- (b) any one or more of the Directors be and is/are hereby authorized to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the transactions contemplated thereunder, including but not limited to the issue and allotment of up to 42,916,206 new Connected Award Shares to up to 12 Connected Incentive Participants in respect of the 2018 Award, the 2019 Award and the 2020 Award pursuant to the Long Term Incentive Equity Plan.”

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

10 February 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. The register of members of the Company will be closed from Monday, 1 March 2021 to Thursday, 4 March 2021, inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the Meeting to be held on Thursday, 4 March 2021, all completed transfer forms accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 26 February 2021.

The record date determining Shareholders' eligibility to attend and vote at the Meeting will be on Friday, 26 February 2021.

3. To be valid, a form of proxy and the 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 lodged by a member whose name appearing on the register of members keeping at the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 10:30 a.m. on Tuesday, 2 March 2021.
4. In view of the travelling restrictions imposed by various jurisdictions including Hong Kong to prevent the spread of the COVID-19, certain directors of the Company may attend the EGM through electronic means.
5. Subject to the development of the COVID-19 pandemic, the Company may implement further changes and precautionary measures at short notice. Shareholders should check the Company's website at www.mmg.com for future announcements and updates on the EGM arrangements.