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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  
KINSEVERE EXPANSION PROJECT  
CONCENTRATOR PLANT DETAILED ENGINEERING  
SERVICES AGREEMENT**

**Concentrator Plant Detailed Engineering Services Agreement**

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

On 12 July 2022, MMG Kinsevere and MCCI entered into the Services Agreement for the design of the detailed engineering for the concentrator plant that forms part of the processing facility.

**Listing Rules Implications**

MCCI is a subsidiary of CMC, the controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the Services Agreement constitutes a connected transaction for the Company.

As some of the relevant percentage ratios in respect of the Services Agreement (when aggregated with pre-existing Connected Transactions) are more than 0.1% but less than 5%, such connected transactions are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**SERVICES AGREEMENT**

MMG has approved the development of the Kinsevere Expansion Project at the Kinsevere Mine.

On 12 July 2022, MMG Kinsevere and MCCI entered into the Services Agreement for the design of the detailed engineering for the concentrator plant that forms part of the processing facility. The principal terms of the Services Agreement are set out below.

- Parties : (1) MMG Kinsevere  
(2) MCCI
  
- Term : Approximately 10 months from the date of execution of the agreement, subject to MMG Kinsevere notifying MCCI of the completion of the services to their satisfaction (with the target date for completion being May 2023).
  
- Scope : To undertake the detailed engineering necessary to enable the construction of the concentrator plant at Kinsevere as part of the KEP project. Key areas of the design works include the Transitional Mixed Ore (TMO) concentrator, the Sulphide concentrator, the tailings conveying facilities, all the plant ancillary service and utilities including power, water supply and drainage, telecommunications, ventilation and other systems, plot plan, etc.
  
- Consideration : Lump-sum payment of US\$1.74 million (contract sum).  
  
Provision has been made for a reserve of US\$50,000 for additional engineer on-site services as required.
  
- Payment terms : Mobilization Payment: 20% of the contract sum payable 14 days after receipt of the invoice issued by the contractor.  
  
Milestone Payment: 75% of contract sum payable 14 days after receipt of the invoice is issued by the contractor against six milestones.  
  
Warranty Retention Deposit: 5% of contract sum, which will be released 12 months after construction completion acceptance of the concentrator plant.
  
- Key Performance Indicators (KPIs) : MMG has the right to reduce the agreement price or adjust the unit rates, or terminate the agreement if MMG determines that the KPIs have not been satisfied due to reasons attributable to the Contractor in any two consecutive quarters.  
KPIs include but are not limited to:
  - Quality of deliverables meet the design criteria under this agreement
  - Fit for purpose design
  - Delivery of the whole package within 11 months
  - Key milestone deliverables meet the construction schedule requirement
  - Estimate design Bill of Quantity within the target cost

In order to determine to award the Services Agreement, MMG Kinsevere considered a number of reputable engineering institutes in China with experience in the DRC and with MMG, and assessed both their technical expertise and commercial proposals in determining the best outcome for MMG Kinsevere. MCCI, in conjunction with another MCC Group subsidiary, ENFI, was selected as the preferred supplier at the completion of a competitive tender process conducted by invitation by MMG Kinsevere. ENFI will provide engineering services to MCCI. MCCI and ENFI each has a long-term partnership with MMG, including involvement in the feasibility studies of the Kinsevere Expansion Project, and detailed engineering for the Kinsevere Expansion Project's cobalt plant.

The terms of the Services Agreement were arrived at after arm's length negotiations between the parties. MMG Kinsevere assessed that the terms agreed with MCCI are reasonable, commercial and at least as favourable to MMG Kinsevere as those of other independent parties taking part in the tender process, and that it is in the best interests of the Company, when compared with alternative suppliers as demonstrated through its tender process, to award the Services Agreement to MCCI.

### **REASONS FOR AND BENEFITS OF THE SERVICES AGREEMENT**

The entering into of the Services Agreement has the benefit of delivery of services necessary for the design of the detailed engineering for critical infrastructure for the development of the Kinsevere Expansion Project, which are on terms that are in the commercial interests of the Group.

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

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

### **LISTING RULES IMPLICATIONS**

MCCI is a wholly owned subsidiary of MCC Ltd. MCC Ltd.'s parent company, MCC Group, is a wholly owned subsidiary of CMC, the controlling shareholder of the Company, and MCCI is therefore an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the Services Agreement constitutes a connected transaction for the Company. ENFI is also a subsidiary of MCC Ltd., and a connected person of the Company.

Pursuant to Rule 14A.76(2) of the Listing Rules, as some of the relevant percentage ratios in respect of the Services Agreement are more than 0.1% but less than 5%, when aggregated with other connected transactions with connected persons providing services to the Kinsevere Expansion Project in the previous 12 month period, is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The existing connected transactions include the following agreements:

**Supply of Equipment (Cobalt Thickeners)**

- Parties : (1) MMG Kinsevere  
(2) CRIMM
  
- Term : Approximately 36 months from the date of execution of the agreement, subject to the successful commissioning of the equipment.
  
- Scope : The supply of 4 Thickeners for installation in the cobalt plant, which form part of the cobalt recovery system for dense separation of cobalt solutions.
  
- Consideration : Lump sum payment of US\$2.3 million (contract sum).
  
- Payment terms : Advance Payment: 30% of the contract sum payable upon the later of the provision by CRIMM of an Advance Payment Security and 7 days after approval of the issue of a purchase order by MMG Kinsevere.  
  
Shipment Payment: 30% of contract sum payable upon release of the equipment at a PRC port subject to receipt of agreed documentation.  
  
Acceptance Payment: 20% of contract sum payable upon confirmation of receipt of equipment at the Kinsevere mine in DRC.  
  
Commissioning Payment: 15% of contract sum payable upon confirmation of successful commissioning.  
  
Warranty Expiry Payment: 5% of contract sum, payable upon the expiry of the warranty period providing there are no outstanding warranty claims.
  
- Key Performance Indicators (KPIs) : MMG has the right to reduce the contract sum or terminate the agreement if the contractor does not satisfy KPIs that include (but are not limited to):
  - repair or rebuild turnaround times;
  - re-work and warranty labour/installation;
  - equipment failure/technical issue response times; and
  - meeting the safety requirements of MMG Kinsevere.

**Mining Design Services (Sokoroshe II Project)**

- Parties : (1) MMG Kinsevere  
(2) NETC
  
- Term : Approximately 6 months.
  
- Scope : Preliminary design of mine infrastructure construction and development for Sokoroshe, a satellite mining site for the Kinsevere mine.
  
- Consideration : Lump sum payment of approximately US\$ 114,351 (contract sum).

Payment terms : 80% of the contract sum payable after completion of all design tasks.  
20% of contract sum payable at the close of the mine.

Deliverables : Drawings in English and Chinese in DWG format for preliminary and construction design of, among other things, geology, mining, mining machinery, water supply and drainage engineering, safety facilities and mining construction.

### **Consulting Services (Sokoroshe II Mining Services Tendering)**

Parties : (1) MMG Kinsevere  
(2) NETC

Term : Approximately 3 months.

Scope : Technical and commercial support services for the tendering process for mining construction at the Sokoroshe mine.

Consideration : Lump sum payment of approximately US\$86,000 (contract sum).

Payment terms : 20% for Consulting service for SOK2 mine development tendering process, (70% of the 20% payable after completion of the bid evaluation report, and 30% payable after the completion of Recommendation to Award); 80% for support preliminary work of SOK2 mine operation (equal instalments paid over two months);

Deliverables : Preparation of technical documents for tender and participating in evaluation of technical elements of bids and assisting with negotiations with and management of bidder. Assisting with contract preparation, assessment of commercial and technical documents, negotiations with and management of bidder including integration with the Kinsevere mine management systems.

### **Consulting Services (Sokoroshe II Feasibility Study Report Update)**

Parties : (1) MMG Kinsevere  
(2) NETC

Term : Approximately 1 month.

Scope : Updating the existing Feasibility Studies Report.

Consideration : Lump sum payment of approximately US\$27,000 (contract sum).

Payment terms : 80% as man-hours payment.

20% of contract sum payable at the delivery of updated Feasibility Studies Report.

Deliverables : Updated Feasibility Studies Report based on 2019 Feasibility Studies Report with new mine optimised design which will be used for Environmental and Social Impact Assessment and Mining Lease Renewal application.

### **Consulting Services (Sokoroshe II Mine Technical Support Service)**

Parties : (1) MMG Kinsevere  
(2) NETC

Term : Approximately 6 months.

Scope : Technical support services for the satellite mining site during construction phase.

Consideration : Reimbursable man hours up to US\$100,000.

Payment terms : Quarterly payment against man-hours.

Deliverables : Mine Design, Mine planning, on-site supervision, contractor management, data recording.

### **INFORMATION ABOUT THE GROUP**

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

### **INFORMATION ABOUT MCCI AND ENFI**

MCCI is a subsidiary of MCC Ltd., and is its overseas business platform. MCC Ltd. and MCC Group, are subsidiaries of CMC, the controlling shareholder of the Company.

ENFI is also a subsidiary of MCC Ltd.

MCCI and ENFI each primarily supply engineering and construction services to mining and other industries.

### **DEFINITIONS**

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

associate has the meaning ascribed to it under the Listing Rules

Board the board of Directors

CMC 中國五礦集團有限公司 (China Minmetals Corporation), a state-owned enterprise incorporated under the laws of the PRC and the ultimate controlling shareholder of the Company

CMN	五礦有色金屬股份有限公司 (China Minmetals Non-Ferrous Metals Company Limited), a company incorporated under the laws of the PRC and the controlling shareholder of the Company
Company or MMG	MMG Limited, a company incorporated in Hong Kong, the securities of which are listed and traded on the Main Board of the Stock Exchange
connected person	has the meaning ascribed to it under the Listing Rules
controlling shareholder	has the meaning ascribed to it under the Listing Rules
CRIMM	Changsha Research Institute of Mining and Metallurgy Co., Ltd., a company incorporated in PRC and a wholly owned subsidiary of CMC
Director(s)	the director(s) of the Company
DRC	Democratic Republic of Congo
ENFI	China ENFI Engineering Corporation, a company incorporated in PRC and a subsidiary of MCC Ltd.
Group	the Company and its subsidiaries from time to time
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Interested Directors	means Jiao Jian, Zhang Shuqiang, Xu Jiqing and Li Liangang
Kinsevere Expansion Project	the project that will mine and process the copper sulphide and cobalt resource located at the Kinsevere mine
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
MCC Group	China Metallurgical Group Corporation, a company incorporated in PRC and a wholly owned subsidiary of CMC
MCC Ltd.	Metallurgical Corporation of China Ltd., a Hong Kong and Shanghai dual-listed company, and a subsidiary of the MCC Group
MCCI	MCC International Incorporation Ltd., a company incorporated in PRC and a wholly owned subsidiary of MCC Ltd.
MMG Kinsevere	MMG Kinsevere SARL, a company incorporated in DRC and a wholly owned subsidiary of the Company
NETC	Northern Engineering & Technology Corporation (Dalian), a company incorporated in PRC and a subsidiary of MCC Ltd.

PRC	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Services Agreement	the agreement dated 12 July 2022 between MMG Kinsevere and MCCI for the detailed engineering design work for the concentrator plant at the Kinsevere Expansion Project
%	per cent.

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

Hong Kong, 12 July 2022

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