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If you have sold or transferred all your shares or CDIs in MMG Limited, you should at once hand this circular and the accompanying form of proxy or CDI Voting Instruction Form (as the case may be) 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)

(HKEX STOCK CODE: 1208)

(ASX STOCK CODE: MMG)

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**

 **SOMERLEY CAPITAL LIMITED**

A notice convening the EGM of the Company to be held on Thursday, 8 March 2018 at 3.00 p.m. at Studio 1, 7/F, W Hong Kong Hotel, 1 Austin Road West, Kowloon, Hong Kong is set out on pages 34 to 35 of this circular.

In respect of the Shares registered with the share registrar of the Company in Hong Kong, you are requested to complete the form of proxy whether or not you are able to attend the EGM in accordance with the instructions printed thereon and return it to the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 3.00 p.m. (Hong Kong Time) on Tuesday, 6 March 2018. 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.

In respect of the CDIs registered with the share registrar of the Company in Australia, you are requested to complete the CDI Voting Instruction Form in accordance with the instructions printed thereon and return it to the share registrar of the Company in Australia, Computershare Investor Services Pty Limited, by mail at GPO Box 242 Melbourne, Victoria 3001, Australia or by fax at 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia) by 5.00 p.m. (Australian Eastern Daylight Time) on Monday, 5 March 2018.

A letter from the Board is set out on pages 4 to 13 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders is set out on page 14 of this circular.

A letter of advice 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 15 to 28 of this circular.

14 February 2018

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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 to 146 Incentive Participants on 19 May 2015 under the Long Term Incentive Equity Plan
“2015 Performance Period”	the performance period in respect of the 2015 Award from 1 January 2015 to 31 December 2017
“2017 Award”	the grant of in aggregate 54,391,336 Performance Awards to 158 Incentive Participants on 31 August 2017 under the Long Term Incentive Equity Plan
“2017 Performance Period”	the performance period in respect of the 2017 Award from 1 January 2017 to 31 December 2019
“Announcement”	announcement made on 5 December 2017 in relation to, among others, the issue of new Connected Award Shares to the Connected Incentive Participants pursuant to the 2015 Award and the 2017 Award under the Long Term Incentive Equity Plan
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Award Shares”	the Shares to be awarded to the Incentive Participants pursuant to vesting of the Performance Awards of the 2015 Award and the 2017 Award under the Long Term Incentive Equity Plan
“Board”	the board of Directors
“CAGR”	the compound annual growth rate
“CDI(s)”	CHESS Depository Interests issued over Shares in the ratio of 1 CDI for each 10 Shares
“Company”	MMG Limited, a company incorporated on 29 July 1988 in Hong Kong with limited liability, the securities of which are listed and traded on the Main Board of the Stock Exchange and the Australian Securities 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

DEFINITIONS

“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 3.00 p.m. on Thursday, 8 March 2018 at Studio 1, 7/F, W Hong Kong Hotel, 1 Austin Road West, Kowloon, Hong Kong, to consider and, if appropriate, to approve the resolutions contained in the notice of EGM which is set out on pages 34 to 35 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 24 May 2017
“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”);
“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 Euromoney Global Mining Base Metals Index
“Issue”	the issue and allotment of new Connected Award Shares to the Connected Incentive Participants in respect of the 2015 Award and the 2017 Award to the extent they vest in accordance with their terms
“Latest Practicable Date”	Thursday, 8 February 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“ROE”	return on equity
“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” (together the “Significant Subsidiaries”)	a subsidiary of the Company that is not an “insignificant subsidiary” (as that term is defined in Listing Rule 14A.09) of the Company
“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
“TSR”	total shareholder return
“%”	per cent

LETTER FROM THE BOARD



MMG LIMITED

五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(HKEX STOCK CODE: 1208)

(ASX STOCK CODE: MMG)

Chairman

GUO Wenqing *(Non-executive Director)*

Executive Directors:

JIAO Jian

XU Jiqing

Non-executive Directors

GAO Xiaoyu

ZHANG Shuqiang

Independent Non-executive Directors:

Peter William CASSIDY

LEUNG Cheuk Yan

Jennifer Anne SEABROOK

PEI Ker Wei

Registered Office:

Unit 8506A

Level 85

International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

14 February 2018

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 2017 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 54,391,336 new Award Shares of the Company to the Incentive Participants, of which up to 18,959,098 Connected Award Shares will be issued to 15 Connected Incentive Participants; and

LETTER FROM THE BOARD

- (b) satisfy the Performance Awards in respect of the 2015 Award under the Long Term Incentive Equity Plan (including the portion granted to Mr Andrew Michelmore), to the extent they vest in accordance with their terms, by the issue and allotment of up to 72,129,935 new Award Shares of the Company to the Incentive Participants, of which up to 26,045,652 Connected Award Shares will be issued to 12 Connected Incentive Participants.

The proposed issue of, in aggregate, up to 45,004,750 Connected Award Shares to 16 Connected Incentive Participants in respect of the 2015 Award and the 2017 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 2015 Award and the 2017 Award, to the extent they vest in accordance with their terms, by way of issue and allotment of an aggregate of up to 126,521,271 Award Shares pursuant to the General Mandate.

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 24 May 2017 was 7,946,986,601, and 20% of this number is approximately 1,589,397,320. Of that 20% amount, as at the Latest Practicable Date, 21,196,386 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 126,521,271 Award Shares.

Details of the Connected Award Shares in respect of the 2015 Award and the 2017 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 45,004,750 Connected Award Shares, representing approximately 0.5648% of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.5616% 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.

LETTER FROM THE BOARD

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\$4.85 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the market value of the 45,004,750 Connected Award Shares was HK\$218,273,037.50.

Performance conditions: The 2015 Award is made up of two equal tranches of Performance Awards. Each tranche consists of 50% 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, as represented by CAGR of the Group's total contained metal resources in monetary value terms over the 2015 Performance Period. The second performance measure is the relative performance of the Company's TSR as compared against that of the constituents of the Index over the 2015 Performance Period.

The 2017 Award is made up of three equal tranches of Performance Awards. Each tranche consists of 33.33% of the total number of Performance Awards granted to the Incentive Participants and is measured independently. The first two performance measures are equivalent to those for the 2015 Award, measured over the 2017 Performance Period. The third performance measure is the relative performance of the Company's ROE as compared against that of the constituents of the Index over the 2017 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.

LETTER FROM THE BOARD

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 April 2018 for the 2015 Award, and on or around April 2020 for the 2017 Award.

Restrictions on the subsequent sale of the Award Shares:

Automatic Sale — 2015 Award

For the 2015 Award only, upon vesting, 50% of the vested Award Shares will be automatically sold, and the proceeds of the sale will be provided to the Incentive Participants in cash (subject to applicable taxes, fees and charges where relevant). An Incentive Participant could elect to opt-out of the aforesaid automatic sale of vested Award Shares.

Holding Locks — 2015 Award and 2017 Award

In respect of the 2015 Award and 2017 Award, holding lock periods will apply to 50% of the Award Shares held by the Incentive Participants from the time of vesting (in respect of the 2015 Award only, being the remaining 50% of the Award Shares which are not subject to the automatic sale process).

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 2019 and 1 January 2021 for the 2015 Award and the 2017 Award respectively), and the remaining half may be sold on or after three years and two years for the 2015 Award and the 2017 Award respectively from the end of the relevant performance period (i.e. 1 January 2021 and 1 January 2022 for the 2015 Award and the 2017 Award respectively).

Fund raising activities in the past 12 months:

The Company had not engaged in any fund raising exercises in the 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

The details of the Connected Incentive Participants are as follows:

	2015 Award⁽¹⁾⁽³⁾	2017 Award⁽³⁾
	Number of Connected Award Shares assuming full vesting	Number of Connected Award Shares assuming full vesting
Directors		
Andrew Michelmore (Director at the time of grant of the 2015 Award) ⁽²⁾	15,771,950	N/A
JIAO Jian	N/A	7,333,333
XU Jiqing	<u>1,880,100</u>	<u>1,476,000</u>
<i>Subtotal</i>	<u>17,652,050</u>	<u>8,809,333</u>
Directors of Significant Subsidiaries of the Company		
Charles Kyona	N/A	222,222
Domingo Drago	649,679	728,232
Greg Travers	1,880,100	1,572,267
Gustavo Gomes	919,160	800,000
Michel Stevering	282,015	476,000
Miles Naude	N/A	785,474
Nicholas Myers	649,679	532,673
Ross Carroll	N/A	2,006,756
Saman Aneka	282,015	222,222
Suresh Vadnagra	919,160	806,625
Troy Hey	1,880,100	1,337,778
Viboon Sithimolada	282,015	49,315
Xiangjun Guan	<u>649,679</u>	<u>610,201</u>
<i>Subtotal</i>	<u>8,393,602</u>	<u>10,149,765</u>
Total	<u><u>26,045,652</u></u>	<u><u>18,959,098</u></u>

Notes:

1. A preliminary assessment of performance condition and vesting results under the 2015 Award indicates that 100% of the 2015 Award will potentially vest, subject to the Incentive Participants' satisfaction of individual performance hurdles under the Company's "My Performance" assessment and continued employment over the performance period. The final vesting outcome for the 2015 Award is subject to approval by the Board.
2. For further information in relation to Mr Andrew Michelmore's change in role at the Company, please see the Company's announcement from 15 February 2017 in relation to, among other things, Mr Andrew Michelmore's

LETTER FROM THE BOARD

resignation as an Executive Director and Chief Executive Officer of the Company. Under the Long Term Incentive Equity Plan, pursuant to vesting of his Performance Awards under the 2015 Award, Mr Andrew Michelmore is eligible to receive a pro-rata number of Award Shares, in recognition of the duration of the performance period in which he continued to be an employee of the Company.

3. The 2015 Award and 2017 Award, as performance awards, are 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);
 - b. an award of cash to relevant participants in 2014; and
 - c. an award of options to relevant participants in 2016 (the vesting of which will be considered on or about 1 April 2019),

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

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, or will be 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 126,521,271 Award Shares, including up to 45,004,750 Connected Award Shares.

Reasons for the Issue

As stated in the annual report of the Company for the year ended 31 December 2016, the Group recognises that its people are critical to its success. 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.

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 a conditional right to acquire and/or subscribe for Shares granted under the Long Term Incentive Equity Plan. The Company may issue new Shares, 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 2015 Award and the 2017 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 both the 2015 Award and the 2017 Award, meaning such Award Shares would instead be satisfied via the purchase of existing Shares from the market.

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.

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 Chapter 14A of the Listing Rules, the Connected Incentive Participants and their respective associates (holding approximately 0.0378% of the Shares in issue as at the Latest Practicable Date) are required to abstain from voting on the relevant resolution at the EGM to approve the Issue.

Save for the Connected Incentive Participants and their respective associates, no other Shareholder has a material interest in the Connected Award Shares and accordingly none of them is required to abstain from voting on the relevant resolutions to approve the Issue at the EGM.

Mr Jiao Jian and Mr Xu Jiqing have 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.

LETTER FROM THE BOARD

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 resolutions 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		
Andrew Michelmore (Director at the time of grant of the 2015 Award)	1,366,500	0.0171%
JIAO Jian	0	0%
XU Jiqing	0	0%
Charles Kyona	0	0%
Domingo Drago	0	0%
Greg Travers	1,037,596	0.0130%
Gustavo Gomes	0	0%
Michel Stevering	0	0%
Miles Naude	4,000	0.0001%
Nicholas Myers	69,500	0.0009%
Ross Carroll	200,000	0.0025%
Saman Aneka	0	0%
Suresh Vadnagra	0	0%
Troy Hey	336,000	0.0042%
Viboon Sithimolada	0	0%
Xiangjun Guan	0	0%
Total	<u><u>3,013,596</u></u>	<u><u>0.0378%</u></u>

To the best of the knowledge of the Directors, having made all reasonable enquiries, the Connected Incentive Participants and their respective associates required to abstain from voting and listed immediately above, control or are entitled to exercise control over all of the Shares held by them. 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 2015 Award and the 2017 Award and accordingly none of them is required to abstain from voting on the relevant resolutions 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.

LETTER FROM THE BOARD

EGM

A notice convening the EGM of the Company to be held on Thursday, 8 March 2018 at 3.00 p.m. at Studio 1, 7/F, W Hong Kong Hotel, 1 Austin Road West, Kowloon, Hong Kong is set out on pages 34 to 35 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, all resolutions 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

In respect of the Shares registered with the registrar of the Company in Hong Kong, you are requested to complete the form of proxy whether or not you are able to attend the EGM in accordance with the instructions printed thereon and return it to the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 3.00 p.m. (Hong Kong time) on Tuesday, 6 March 2018. 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.

In respect of the CDIs registered with the share registrar of the Company in Australia, you are requested to complete the CDI Voting Instruction Form in accordance with the instructions printed thereon and return it to the share registrar of the Company in Australia, Computershare Investor Services Pty Limited, by mail at GPO Box 242 Melbourne, Victoria 3001, Australia or by fax at 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia) by 5.00 p.m. (Australian Eastern Daylight Time) on Monday, 5 March 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5 March 2018 to Thursday, 8 March 2018, inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM:

- (a) in respect of the Shares registered with the share registrar of the Company in Hong Kong, 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. (Hong Kong Time) on Friday, 2 March 2018; or
- (b) in respect of the CDIs registered with the share registrar of the Company in Australia, all completed CDI transfer forms accompanied by the sellers identification requirements, must be lodged with Computershare Investor Services Pty Limited at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia not later than 5.00 p.m. (Australian Eastern Daylight Time) on Friday, 2 March 2018.

LETTER FROM THE BOARD

The record date for determining Shareholders' eligibility to attend and vote at the EGM will be on Friday, 2 March 2018.

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 14 of this circular, which contains its recommendation to the Independent Shareholders as to the Issue; and (ii) the letter of advice from Somerley set out on pages 15 to 28 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
Jiao Jian
CEO and Executive Director

As at the date of this circular, the Board comprises nine directors, of which two are executive directors, namely Mr Jiao Jian and Mr Xu Jiqing; three are non-executive directors, namely Mr Guo Wenqing (Chairman), Mr Gao Xiaoyu and Mr Zhang Shuqiang; and four are independent non-executive directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan, Ms Jennifer Anne Seabrook and Professor Pei Ker Wei.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



MMG LIMITED

五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(HKEX STOCK CODE: 1208)

(ASX STOCK CODE: MMG)

14 February 2018

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 14 February 2018 (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 4 to 13 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 15 to 28 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	Mr Leung Cheuk Yan	Ms Jennifer Anne Seabrook	Professor Pei Ker Wei
<i>Independent non-executive Director</i>	<i>Independent non-executive Director</i>	<i>Independent non-executive Director</i>	<i>Independent non-executive Director</i>

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

14 February 2018

*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 14 February 2018 (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 5 December 2017 in relation to the grants of a total of 72,129,935 Performance Awards to 146 Incentive Participants on 19 May 2015 and a total of 54,391,336 Performance Awards to 158 Incentive Participants on 31 August 2017 under the Long Term Incentive Equity Plan (the “**Announcement**”).

As the Issue involves the granting of the Performance Awards and the potential issue of new Shares to a total of 12 and 15 Connected Incentive Participants under the 2015 Award and the 2017 Award respectively, it constitutes a non-exempted connected transaction for 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.

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The Independent Board Committee, comprising all four of the Company's independent non-executive Directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan, Ms Jennifer Anne Seabrook and Professor Pei Ker Wei, 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.

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 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 2015 Award and 2017 Award (the "**Grant Guidebooks**"), the Announcement, the annual report of the Company for the year ended 31 December 2016 (the "**2016 Annual Report**"), the interim report of the Company of the six months ended 30 June 2017 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 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information on the Group

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

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2. Background of and reasons for the Issue

As stated in the 2016 Annual Report, the Group recognises that its people are critical to its success. The Group has remuneration policies that align with market practice and remunerate its employees based on the responsibilities of their respective roles, performance, market requirements and the performance of the Group. Employee benefits include, amongst others, market-competitive fixed remuneration, performance-related incentives and, in specific cases, a limited 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.

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 a conditional right to acquire and/or subscribe for Shares granted, which can be satisfied by way of issuing new Shares or purchasing Shares from the market by the Company. On 5 December 2017, 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 2015 Award and the 2017 Award, will be satisfied through the issue of new Shares (as opposed to the purchase of existing Shares). This means that no cash payments need to be made by the Group to acquire existing Shares. Independent Shareholders are reminded that if the conditions to the Issue (including the approval by the Independent Shareholders at the EGM in respect of the Issue) are not satisfied, the Company must still discharge its obligations under both the 2015 Award and the 2017 Award, meaning that such Connected Award Shares would instead be satisfied via the purchase of existing Shares from the market. We note from our discussion with the management of the Company 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. These additional cash resources are proposed to be used for the Group's day-to-day operations and/or any future mineral resources replenishment opportunities. Accordingly, the Issue provides an alternative to the purchase of the existing Shares which allows the Company to retain more cash resources, and we consider this to be fair and reasonable, and in the interest of the Company and the Shareholders as a whole. 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 in the Company.

We also understand that the proposed Issue has been reviewed and approved by the Board (excluding the executive Directors, i.e. Mr Jiao Jian and Mr Xu Jiqing).

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3. Background and basis of selecting the Connected Incentive Participants

The Company has granted a total of 72,129,935 and 54,391,336 Performance Awards under the 2015 Award and the 2017 Award respectively, of which an aggregate of 26,045,652 and 18,959,098 Connected Award Shares were / will be granted to the Connected Incentive Participants under the 2015 Award and the 2017 Award respectively. The identity, 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	2015 Award		2017 Award		Total	
			Number of the Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of the Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of the Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date
Directors of the Company								
Andrew Michelmore <i>(Note)</i>	Director at the time of grant of the 2015 Award / Consultant	Mr Michelmore provides consultancy services and high level strategic advice to the Company, and has been doing so since his retirement from the Company (which took effect on 1 July 2017).	15,771,950	0.20%	N/A	N/A	15,771,950	0.20%
Jiao Jian	Chief Executive Officer	Chief Executive Officer is accountable for the leadership and performance of the Company globally. He is also an executive Director.	N/A	N/A	7,333,333	0.09%	7,333,333	0.09%
Xu Jiqing	Executive General Manager Marketing and Risk	Executive General Manager Marketing and Risk is responsible for strategy development and major shareholder relations. He is also an executive Director.	1,880,100	0.02%	1,476,000	0.02%	3,356,100	0.04%
Directors of Significant Subsidiaries of the Company								
Charles Kyona	Manager of Stakeholder Relations	Manager of Stakeholder Relations is accountable for stakeholder relations matters in relation to the Company's mining operations in the Democratic Republic of Congo.	N/A	N/A	222,222	less than 0.01%	222,222	less than 0.01%

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Name	Position/ Title	Roles and responsibilities	2015 Award		2017 Award		Total	
			Number of the Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of the Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of the Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date
Domingo Drago	Corporate Affairs Vice President	Corporate Affairs Vice President is accountable for stakeholder relations (i.e. government, company and community) in relation to the Americas.	649,679	0.01%	728,232	0.01%	1,377,911	0.02%
Greg Travers	Executive General Manager of Business Support	Executive General Manager of Business Support is accountable for the Company's various business support functions including human resources, legal and supply.	1,880,100	0.02%	1,572,267	0.02%	3,452,367	0.04%
Gustavo Gomes	Former employee	Former Group General Manager — Australian and South East Asian Operations (having left the Company on 1 January 2018).	919,160	0.01%	800,000	0.01%	1,719,160	0.02%
Michel Stevering	General Manager Finance	General Manager Finance is accountable for the Company's global treasury, global tax, financial and management reporting and budgeting.	282,015	less than 0.01%	476,000	0.01%	758,015	0.01%
Miles Naude	General Manager — Congo	General Manager — Congo is accountable for all operations and stakeholder relations (i.e. government, company and community) in relation to the Company's Kinsevere mine in the Democratic Republic of Congo.	N/A	N/A	785,474	0.01%	785,474	0.01%

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Name	Position/ Title	Roles and responsibilities	2015 Award		2017 Award		Total	
			Number of the Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of the Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of the Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date
Nicholas Myers	General Counsel	General Counsel is accountable for the governance and legal compliance in all jurisdictions in which the Company operates.	649,679	0.01%	532,673	0.01%	1,182,352	0.01%
Ross Carroll	Chief Financial Officer	Chief Financial Officer is accountable for the Company's global commercial and finance, mergers and acquisitions, project delivery and exploration functions.	N/A	N/A	2,006,756	0.03%	2,006,756	0.03%
Saman Aneka	Manager — Stakeholder Relations — Laos	Manager — Stakeholder Relations — Laos is accountable for stakeholder relations (i.e. government, company and community) in relation to the Sepon mine in Laos. He is also a director of Lane Xang Minerals Limited (the entity which owns the Sepon mine).	282,015	less than 0.01%	222,222	less than 0.01%	504,237	0.01%
Suresh Vadrnagra	Executive General Manager Operations — Americas	Executive General Manager Operations — Americas is accountable for (1) the Company's mining operations (including all mineral and metal production) in the Americas and (2) overseeing the management of the Group Technical Services function.	919,160	0.01%	806,625	0.01%	1,725,785	0.02%

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Name	Position/ Title	Roles and responsibilities	2015 Award		2017 Award		Total	
			Number of the Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of the Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date	Number of the Performance Awards granted	Approximate % of total issued share capital as at the Latest Practicable Date
Troy Hey	Executive General Manager Stakeholder Relations	Executive General Manager Stakeholder Relations is accountable for external stakeholder relations (i.e. investors, management, communities and governments) in the jurisdictions in which the Company operates globally.	1,880,100	0.02%	1,337,778	0.02%	3,217,878	0.04%
Viboon Sithimolada	Former employee	Former stakeholder relations manager and director of Lane Xang Minerals Limited (having left the Company on 1 September 2017).	282,015	less than 0.01%	49,315	less than 0.01%	331,330	less than 0.01%
Xiangjun Guan	General Manager China Relations	General Manager China Relations is accountable for external stakeholder relations (i.e. investors and government) in China.	649,679	0.01%	610,201	0.01%	1,259,880	0.02%
Total			<u>26,045,652</u>	<u>0.33%</u>	<u>18,959,098</u>	<u>0.24%</u>	<u>45,004,750</u>	<u>0.57%</u>

Note: Mr Andrew Michelmore resigned as an executive Director and Chief Executive Officer of the Company on 15 February 2017.

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Three of the Connected Incentive Participants are/were executive Directors, namely Mr. Andrew Michelmore, Mr. Jiao Jian and Mr. Xu Jiqing.

Mr. Andrew Michelmore was an executive Director and the Chief Executive Officer of the Company from December 2010 until February 2017. Mr. Andrew Michelmore is currently providing consultancy services and high level strategic advice to the Group, and has been doing so since his retirement from the Company (which took effect on 1 July 2017). He was formerly the Managing Director and Chief Executive Officer of Minerals and Metals Group from its formation in June 2009 until its acquisition by the Company in December 2010. Prior to joining Minerals and Metals Group, he was the Chief Executive Officer of Zinifex Limited followed by OZ Minerals Limited. He has more than 30 years' experience in the metals and mining industry. Under the Long Term Incentive Equity Plan, pursuant to vesting of his Performance Awards under the 2015 Award, Mr. Andrew Michelmore is eligible to receive a pro-rata number of Award Shares, in recognition of the duration of the performance period in which he continued to be an employee of the Company.

Mr. Jiao Jian was re-designated as an executive Director and appointed as the Chief Executive Officer of the Company in February 2017, subsequent to Mr. Andrew Michelmore's retirement from the aforesaid positions. Prior to being appointed as Chief Executive Officer of the Company, Mr. Jiao Jian was a non-executive Director and Chairman of the Company, and also served as a director of certain subsidiaries of the Company.

Mr. Xu Jiqing (currently Executive General Manager Marketing and Risk) was first appointed as an executive Director and Executive General Manager — Strategic Planning of the Company in May 2013. Prior to that, he served as a non-executive Director of the Company from May 2009 until May 2013. He is also a director of a number of subsidiaries of the Company.

Further information on the biographies of the aforesaid executive Directors 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, roles and responsibilities in the Group of other Connected Incentive Participants. Based on our review, we are of the view that the aforesaid three executive Directors and the other Connected Incentive Participants are capable of having a significant influence on the performance of the Group.

4. Key terms of the 2015 Award and the 2017 Award

Set out below is a summary of the principal terms of the 2015 Award and the 2017 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 2015 Award and the 2017 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

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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 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 research report on the long-term incentive plan market practices of listed mining and resources companies in Australia (the “**Research Report**”) conducted by a leading global human capital and benefits advisory company in 2016, grants of performance rights had been the most common long-term incentive vehicle in the mining sector and general market in Australia, where the majority of the Incentive Participants are located. Such grants of performance rights had been generally granted to chief executives and senior management of the Company’s peer companies.

(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 2015 to 31 December 2017 and 1 January 2017 to 31 December 2019 (the “**Performance Periods**”) for the 2015 Award and the 2017 Award respectively. The Group’s achievement against the corresponding performance targets will be determined in early 2018 and early 2020 for the 2015 Award and the 2017 Award respectively for the purpose of vesting of the Performance Awards.

According to the Research Report, the most common performance period of the Company’s peer companies’ long-term incentive plans is three years.

We also consider the Performance Periods to be sufficient (but not prolonged) period 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

The 2015 Award and the 2017 Award are made up of two and three equal tranches of Performance Awards respectively and each tranche is measured independently. Each of these tranches have their respective performance measures (the “**Performance Measures**”) as set out below.

For the 2015 Award, the first performance measure is resources growth of the Group, as represented by the CAGR of the Group’s total contained metal resources in monetary value terms over the relevant Performance Period. The second performance measure is the relative performance of the Company’s TSR as compared against that of the constituents of the Index over the relevant Performance Period.

For the 2017 Award, the first two performance measures are similar to those for the 2015 Award (i.e. the Group’s resources growth and the relative performance of the Company’s TSR). The third performance measure is the relative performance of the Company’s ROE as compared against that of the constituents of the Index over the relevant Performance Period.

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In addition to the above, each Incentive Participant has his/her individual performance measure(s) for each of the 2015 Award and the 2017 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 explorations 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 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. 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 Shareholder wealth by expansionary means to broaden the Group's resources projects.

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 Research Report, over the last few years, relative TSR had been the most prevalent performance metric adopted in the mining sector (and the general market) in Australia for assessment of performance under relevant companies' long term incentive plans.

ROE is the amount of net income returned 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 Research Report, almost half of the Company's peer companies adopted two performance measures, in which ROE was the most commonly adopted measure, together with TSR in the assessment of performance under the relevant companies' long term incentive plans.

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, in conjunction with the Performance Measures, the inclusion of individual performance hurdles is a reasonable mechanism to ensure that each Incentive Participant fulfils their individual goals before their Performance Awards are eligible to vest.

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(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 meet a higher 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 Measures. The number of Performance Awards that vest for the Incentive Participants under the relevant tranche of the Performance Measures 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 full replenishment of mineral resources and certain percentages of growth in mineral resources of the Group respectively. 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 squarely 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 the median performance and outperform the significant majority of performance of the peer companies 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.

(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 of the Company, on a periodic basis and not less than once each year, seeks a review of the remuneration levels of the Chief Executive Officer, the Executive General Managers and other senior management of the Group from independent reputable compensation experts. We have reviewed the reports issued by the aforesaid

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compensation experts in 2015, 2016 and 2017 and we note that the remuneration packages, including the total fixed remuneration and the long-term incentive (i.e. the 2015 Award and the 2017 Award), of the Connected Incentive Participants in general fall within the range of those of the executives in similar capacities employed by industry peers.

(vi) Automatic disposal of the vested Award Shares (the “Automatic Disposal”)

For the 2015 Awards only, upon vesting, 50% of the vested Award Shares will be automatically sold and the proceeds of the sale will be provided to the Incentive Participants in cash (subject to applicable taxes, fees and charges where relevant). An Incentive Participant could elect to opt-out of the aforesaid automatic sale of vested Award Shares, provided that he/she elected to do so in not less than 6 months prior to the end of the 2015 Performance Period end date (i.e. 31 December 2017) and is not otherwise prohibited from dealing with the Company’s securities under the relevant securities trading codes adopted by the Company.

(vii) Holding lock periods

Holding lock periods will apply to 50% of the Award Shares (for the 2015 Awards only, being the remaining 50% of the Award Shares which are not subject to the Automatic Disposal) 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 2019 and 1 January 2021 for the 2015 Award and the 2017 Award respectively) and the remaining half may be sold on or after three years and two years for the 2015 Award and the 2017 Award respectively from the end of the relevant Performance Periods (i.e. 1 January 2021 and 1 January 2022 for the 2015 Award and the 2017 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 2015 Award and the 2017 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

As advised by the management of the Group, the Company adopted the same accounting policies for the 2015 Award and 2017 Award, except for the valuation methodology of the Performance Awards applied to the market based (i.e. TSR) and non-market based (i.e. resources growth and ROE (if applicable)) service and performance vesting conditions.

For the non-market based vesting conditions, the fair value of the Performance Awards was determined by reference to the respective share price at the relevant grant dates for the 2015 Award and the 2017 Award. For the market-based vesting condition, the fair value of the Performance Awards was determined by reference to the use of Monte Carlo Simulations for the 2017 Award and was determined with reference to the share price at the grant date for the 2015 Award.

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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 reserve account in the equity in the consolidated statement of financial position of the Company over the Performance Periods (i.e. three years).

At each half-year and year end date, the Group will revise its estimates of the number of the Performance Awards that are expected to vest. 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 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 Issue” above, in the event that approval by the Independent Shareholders in respect of the Issue is not obtained at the EGM, the Company must still discharge its obligations under both the 2015 Award and the 2017 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 the 45,004,750 Connected Award Shares took place on the Latest Practicable Date at HK\$4.85 per Share, this would reduce the net asset value of the Group by approximately HK\$218.3 million (or equivalent to approximately US\$28.1 million) and the net asset value per Share (based on the consolidated net asset value of the Group as at 30 June 2017 of approximately US\$1,058.9 million and the total number of Shares in issue of 7,968,182,987 as at the Latest Practicable Date) will decrease by approximately 2.6%. In contrast, the Issue is only expected to have a dilution impact of approximately 0.56% on the net asset value per Share. Overall, the Issue is expected to have less negative impact on the net asset value of the Group and is able to preserve cash for the Group.

The Issue is not expected to have any significant impact on the cash flows of the Group, while cash resources will be utilised if the obligations under both the 2015 Award and the 2017 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 both the 2015 Award and the 2017 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) that 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.

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6. Effects on the shareholding dilution

As at the Latest Practicable Date, there were 7,968,182,987 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 45,004,750 Shares, representing approximately 0.5648% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.5616% 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

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 Director/ 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	
Jiao Jian	Personal	—	—	7,333,333	0.0920%
Xu Jiqing	Personal	—	6,119,962	3,356,100	0.1189%

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 "2013 Share Option Scheme" on pages 25 and 26 of the interim report of the Company for the six months ended 30 June 2017.
- 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 page 27 of the interim report of the Company for the six months ended 30 June 2017 and the announcement of the Company dated 5 December 2017.

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, 7,968,182,987 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 corporation	5,847,166,374	73.38%
China Minmetals Corporation Limited (CMCL)	Interest of controlled corporation	5,847,166,374	73.38%
China Minmetals Non-ferrous Metals Holding Company Limited (CMNH)	Interest of controlled corporation	5,847,166,374	73.38%
China Minmetals Non-ferrous Metals Company Limited (CMN)	Interest of controlled corporation	5,847,166,374	73.38%
Album Enterprises Limited (Album Enterprises)	Interest of controlled corporation	5,847,166,374	73.38%
China Minmetals H.K. (Holdings) Limited (Minmetals HK)	Beneficial owner	5,847,166,374	73.38%

Notes:

1. As disclosed in the announcements of the Company dated 7 January 2016 and 16 November 2017 in relation to a share transfer which forms part of an internal restructuring to be implemented by CMC, the ultimate controlling shareholder of the Company (the “Share Transfer”) and the completion of the Share Transfer on 15 November 2017 respectively (and associated filings under the provisions of Divisions 2 and 3 of Part XV of the SFO), Minmetals HK held in total 5,847,166,374 Shares after the Share Transfer which in turn 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, 7,968,182,987 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 and the Chairman of China Metallurgical Group Corporation.
- (b) Mr Jiao Jian, an Executive Director and Chief Executive Officer of the Company (formerly a Non-executive Director and Chairman of the Company) is the Chairman and a director of CMN and a director of Hunan Nonferrous Metals Holding Group Co. Ltd.;
- (c) Mr Xu Jiqing, an Executive Director of the Company, is a director of CMN;
- (d) Mr Gao Xiaoyu, a Non-executive Director of the Company, is a director and the President of CMN; a director of Top Create Resources Limited; the Chairman of Album Enterprises and the Chairman of Copper Partners Investment Co., Ltd.; and
- (e) 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, Minmetals HK, Minmetals Development Co. Ltd., Minmetals Capital Company Limited and China Tungsten and Hightech Materials Co. Ltd.

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, Hunan Nonferrous Metals Holding Group Co. Ltd, Copper Partners Investment Co., Ltd. and China Tungsten and Hightech Materials 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 2016, 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

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 warning and profit alert dated 24 February 2017 and 14 August 2017 respectively; and
- (b) confirmed that there was not any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated accounts of the Group were made up.

6. MATERIAL LITIGATION

No member of the Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

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 2016 (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 8506A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong from 20 February 2018 up to and including 7 March 2018:

- (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 in 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)

(HKEX STOCK CODE: 1208)

(ASX STOCK CODE: MMG)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**Meeting**”) of MMG Limited (the “**Company**”) will be held at 3.00 p.m. on Thursday, 8 March 2018 at Studio 1, 7/F, W Hong Kong Hotel, 1 Austin Road West, Kowloon, Hong Kong for the following purpose:

To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

“**THAT**

- (a) to the extent they vest in accordance with their terms, the issue and allotment of up to 45,004,750 new Connected Award Shares to 16 Connected Incentive Participants in respect of the 2015 Award and the 2017 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 45,004,750 new Connected Award Shares to 16 Connected Incentive Participants in respect of the 2015 Award and the 2017 Award pursuant to the Long Term Incentive Equity Plan.”

By Order of the Board

MMG Limited

Jiao Jian

CEO and Executive Director

14 February 2018

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, 5 March 2018 to Thursday, 8 March 2018, 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, 8 March 2018:
 - (a) in respect of the Shares registered with the share registrar of the Company in Hong Kong, 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. (Hong Kong Time) on Friday, 2 March 2018; or
 - (b) in respect of the CDIs registered with the share registrar of the Company in Australia, all completed CDI transfer forms accompanied by the sellers identification requirements, must be lodged with Computershare Investor Services Pty Limited at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia not later than 5.00 p.m. (Australian Eastern Daylight Time) on Friday, 2 March 2018.

The record date determining Shareholders' eligibility to attend and vote at the Meeting will be on Friday, 2 March 2018.

3.
 - (a) 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 in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 3.00 p.m. (Hong Kong Time) on Tuesday, 6 March 2018.
 - (b) To be valid, a CDI Voting Instruction Form must be lodged by a member whose name appearing on the record of members keeping at the share registrar of the Company in Australia, Computershare Investor Services Pty Limited, by mail at GPO Box 242 Melbourne, Victoria 3001, Australia or by fax at 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia) by 5.00 p.m. (Australian Eastern Daylight Time) on Monday, 5 March 2018.