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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**

On 5 December 2017, the Board 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 new Award Shares pursuant to the General Mandate.

Certain Incentive Participants under the Company's Long Term Incentive Equity Plan are directors of the Company and/or directors of Significant Subsidiaries of the Company.

Accordingly, the proposed issuance of new Award Shares by the Company to such incentive participants, to the extent that the relevant performance awards vest in accordance with their terms, will constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and shall be subject to, among others, approval by the Independent Shareholders of the Company at an extraordinary general meeting.

DETAILS OF THE CONNECTED AWARD SHARES AND THE ISSUE

On 5 December 2017, the Board 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
- (b) satisfy the Performance Awards in respect of the 2015 Award under the Long Term Incentive Equity Plan, to the extent they vest in accordance with their terms, by the issue and allotment of up to 72,129,935 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.

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 0.57% of the total number of Shares in issue as at the date of this announcement, and approximately 0.56% of the total number of Shares in issue as enlarged by the issue and allotment of the Connected Award Shares.

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

Funds to be raised

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

Market price of the Shares

Based on the closing price of HK\$3.59 per Share as quoted on the Stock Exchange as at the date of this announcement, the market value of the 45,004,750 Connected Award Shares was HK\$161,567,052.

Vesting/performance conditions

Vesting will occur on or around April 2018 for the 2015 Award, and on or around April 2020 for the 2017 Award. The vesting of the performance awards will be subject to the achievement of certain performance conditions, including, amongst other things, independently assessed measures of achievement of resource growth and financial and market related targets. The

performance awards may vest in full, in part, or not at all, depending on the satisfaction or otherwise of those performance conditions.

Fund-raising activities in the past 12 months

The Company conducted a rights issue which took effect on 14 December 2016 which resulted in the issue of 2,645,034,944 shares at HK\$1.50 and raised approximately HK\$3,967.5 million. The proceeds of the raising were used to repay existing debt and to support project development, particularly the Dugald River Project, in accordance with the statements made in the prospectus relating to the rights issue. These proceeds have been fully utilised.

The details of the Connected Incentive Participants in respect of the 2015 Award and the 2017 Award are as follows:

	2015 Award Number of Connected Award Shares assuming full vesting	2017 Award Number of Connected Award Shares assuming full vesting
Directors of the Company		
Andrew Michelmore (director at the time of grant of the 2015 Award)	15,771,950	N/A
JIAO Jian	N/A	7,333,333
XU Jiqing	1,880,100	1,476,000
<i>Subtotal</i>	17,652,050	8,809,333
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	649,679	610,201
<i>Subtotal</i>	8,393,602	10,149,765
Total	26,045,652	18,959,098

CONDITIONS TO THE ISSUE

The Issue, to the extent that the relevant performance awards vest in accordance with their terms, shall be subject to the following conditions:

- (a) the grant of the listing approval of the Stock Exchange in respect of the Connected Award Shares;
and
- (b) the approval by the Independent Shareholders of the Company at an extraordinary general meeting.

Application shall 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 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 Vesting/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 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.

GENERAL

The Directors (excluding the independent non-executive Directors whose view will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the terms of the proposed Issue are on normal commercial terms, and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than Mr Jiao Jian and Mr Xu Jiqing, no Director has any material interest in the proposed Issue which prohibits him/her to vote on the resolution of the Board to approve the proposed Issue, and no Director has abstained from approving such Board resolution, other than Mr Jiao Jian and Mr Xu Jiqing, each of whom abstained.

LISTING RULES IMPLICATIONS

The proposed Issue, involving the proposed issuance of new shares by the Company to Connected Incentive Participants, namely certain directors of the Company and/or certain directors of Significant Subsidiaries of the Company, each of whom is a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules, constitutes non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules, and shall therefore be subject to reporting, announcement and Independent Shareholders' approval requirements at the EGM.

Pursuant to Chapter 14A of the Listing Rules, the Connected Incentive Participants in respect of the 2015 Award and the 2017 Award and their respective associates are required to abstain from voting on the relevant resolutions approving the Issue at the EGM.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed Issue. An Independent Board Committee has also been formed to advise the Independent Shareholders in respect of the proposed Issue.

A circular including, among others, details of the Issue with a letter from the Independent Board Committee and a letter of advice from the Independent Financial Adviser, will be despatched to the Shareholders. As additional time and information is required for the Company to finalise the contents of the Circular, the Company expects that the despatch date of the Circular will be greater than 15 business days after the date of this announcement, with despatch of the Circular to occur on or before 15 February 2018.

INFORMATION ABOUT THE GROUP

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

DEFINITIONS

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
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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
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
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 Hong Kong Stock Exchange and the Australian Securities Exchange Limited
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
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 to consider and, if appropriate, to approve the Issue
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	an independent committee of the Board, comprising all the independent non-executive Directors, namely, Dr Peter William Cassidy, Mr Leung Cheuk Yan, Ms Jennifer Anne Seabrook and Professor Pei Ker Wei

Independent Financial Adviser	Somerley Capital Limited, a corporation licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Issue
Independent Shareholders	Shareholders who are not required to abstain from voting at the EGM to approve the Issue
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
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
Share(s)	ordinary share(s) of the Company
Shareholder(s)	shareholder(s) of the Company
Significant Subsidiary	a subsidiary of the Company that is not an "insignificant subsidiary" (as that term is defined in Listing Rule 14A.09) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
%	per cent.

By order of the Board
MMG Limited
Jiao Jian
CEO and Executive Director

Hong Kong, 5 December 2017

As at the date of this announcement, 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.