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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)

DISCLOSEABLE TRANSACTION
SALE OF ASSETS
ASSOCIATED WITH THE SEPON MINE

On 21 June 2018, Album Investment Private Limited (Seller), a wholly owned subsidiary of MMG Limited (Company), entered into a Share Purchase Agreement (Share Purchase Agreement) with Chifeng Jilong Gold Mining Co., Limited (Purchaser) to transfer the Seller's 100% equity interest in MMG Laos Holdings Limited (MMG Laos) to the Purchaser. MMG Laos holds 90% of the issued shares in the capital of Lane Xang Minerals Limited (LXML) which is the owner of the Sepon mine, located in the Lao People's Democratic Republic (Laos). The Company is also a party to the Share Purchase Agreement as guarantor of the Seller's obligations.

The parties to the Share Purchase Agreement also agreed that MMG Australia Limited (MMG Australia), a wholly owned subsidiary of the Company, will enter into a Transitional Services Agreement with the Purchaser, MMG Laos and LXML to provide Transitional Services to LXML for an agreed period after Closing.

IMPLICATIONS UNDER THE LISTING RULES

The Seller and MMG Australia are wholly owned subsidiaries of the Company. The Share Purchase Agreement and its associated arrangements together constitute a "transaction" pursuant to Listing Rule 14.04(1) (Notifiable Transaction).

As at least one of the applicable percentage ratios under Listing Rule 14.07 in respect of the Notifiable Transaction is more than 5% but all are less than 25%, the Notifiable Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

SHARE PURCHASE AGREEMENT

On 21 June 2018, the Seller, the Company and the Purchaser entered into the Share Purchase Agreement.

The principal terms of the Share Purchase Agreement are set out below.

- Parties:**
- (1) Seller: Album Investment Private Limited
 - (2) Seller Guarantor: MMG Limited
 - (3) Purchaser: Chifeng Jilong Gold Mining Co., Limited
- Shares to be transferred:** 100% equity interest in MMG Laos (Shares)
- Conditions precedent:** The Share Purchase Agreement shall become effective upon the following conditions precedent (Conditions Precedent) being satisfied:
- (1) the Purchaser obtaining the following approvals, consents, enquiry processes or orders necessary for the Purchaser to fulfil its obligations under the Share Purchase Agreement (Purchaser Conditions Precedent) from:
 - (i) People's Bank of China or the State Administration of Foreign Exchange of the People's Republic of China (PRC);
 - (ii) State Administration for Market Regulation under the Anti-Monopoly Law of the PRC;
 - (iii) PRC National Development and Reform Commission (national or local);
 - (iv) Local PRC commerce administration authority applicable to the Chifeng Group;
 - (v) Shanghai Stock Exchange; and
 - (vi) the Purchaser's general meeting of shareholders to approve the Share Sale (Purchaser Shareholder Approval Condition Precedent).

If the Conditions Precedents are not satisfied or waived by 5 pm (Hong Kong time) on 31 December 2018, the Share Purchase Agreement shall lapse.

Break fee in connection with Conditions Precedent:

- (1) If the Purchaser Conditions Precedent have been satisfied or waived other than the Purchaser Shareholder Approval Condition Precedent, and the Purchaser Shareholder Approval Condition Precedent is not satisfied or waived by 5 pm (Hong Kong time) on 31 December 2018, the Purchaser must immediately compensate the Seller by paying a break fee of US\$11,000,000 (equivalent to approximately HK\$85,800,000).

Termination rights:

- (1) The Seller may terminate the Share Purchase Agreement without cause before Closing subject to the payment of a break fee of US\$11,000,000 (equivalent to approximately HK\$85,800,000).
- (2) If:
 - (i) the aggregate actual production of copper cathode at the Sepon mine between the Locked Box Date and the earlier of: (a) the last day of the month prior to the month during which the Closing Date occurs; and (b) 30 September 2018, is less than 95% of the budgeted copper cathode production for that respective period;
 - (ii) the actual weighted average copper recovery rate at the Sepon mine between the Locked Box Date and the earlier of: (a) the last day of the month prior to the month during which the Closing Date occurs; and (b) 30 September 2018, is more than 0.5 percentage point less than the budgeted weighted average copper recovery rate for that respective period; or
 - (iii) the amount of cash and cash equivalents on hand for LXML as at the Closing Date is less than US\$50,000,000 (equivalent to approximately HK\$390,000,000),

the Purchaser may, other than where the above events are substantially due to a force majeure event in which case the parties shall proceed to Closing, require the parties to negotiate in good faith any revision, substitution, modification or compensation that can be made to, or in relation to, the Share Purchase Agreement on terms acceptable to each of the parties, failing which the Purchaser may elect to terminate the Share Purchase Agreement, requiring the payment of US\$2,500,000 (equivalent to approximately HK\$19,500,000) from the Seller to the Purchaser.

Consideration:

The consideration payable by the Purchaser to the Seller is US\$275,000,000 (equivalent to approximately HK\$2,145,000,000) (Aggregate Consideration).

The consideration shall be payable as follows:

- (1) on the Closing Date, the Purchaser must pay the Seller the Closing Payment of 90% of the Aggregate Consideration; and

- (2) on the Final Payment Date, the Purchaser must pay the Seller the Final Payment of 10% of the Aggregate Consideration.

The Final Payment is payable on the Final Payment Date, being the earlier of:

- (1) 31 December 2021; and
- (2) 14 days after: (i) LXML has ceased producing copper at the Sepon mine pursuant to the method of production in place as at the date of the Share Purchase Agreement; and (ii) LXML has, since the date of the Share Purchase Agreement, poured gold from the Sepon mine totalling in aggregate not less than 1 kilogram of gold.

The Agreement is based on a Locked Box sale structure, with the Locked Box Date being 31 December 2017. On that locked box basis, and conditional on Closing occurring, most of the risks and rewards of ownership of MMG Laos and LXML will be deemed to have passed to the Purchaser as and from the Locked Box Date, including any operating profits or losses (as the case may be) accruing to MMG Laos and LXML since the Locked Box Date.

The Aggregate Consideration is subject to adjustment for any Leakage since the Locked Box Date that is not Permitted Leakage, pursuant to the Locked Box sale structure.

Guarantees

The Company guarantees to the Purchaser the due and punctual performance and observance by the Seller of all its obligations, commitments, undertakings, warranties and indemnities under and pursuant to the Share Purchase Agreement.

The Purchaser may assign its rights under the Share Purchase Agreement to a wholly owned subsidiary, provided that the Purchaser shall in turn guarantee the performance by any such assignee of all of its obligations under the Share Purchase Agreement.

Closing:

Closing shall take place on the 10th Business Day following notification of the fulfilment or waiver of all of the Conditions Precedent, or at other location, time or date as may be agreed between the Purchaser and the Seller.

Pre-Closing dividends of approximately US\$270,000,000 (equivalent to approximately HK\$2,106,000,000) will be distributed by the Sale Group, with the result that:

- the Lao Government, as 10% owner of LXML will receive a dividend of approximately US\$27,000,000 (equivalent to approximately HK\$210,600,000); and
- the Group, as indirect owner of 90% of LXML, will receive a dividend of approximately US\$243,000,000 (equivalent to approximately HK\$1,895,400,000), such dividend to be applied to partially offset and discharge loans payable by the Group, to LXML and/or MMG Laos.

Outstanding loans owing by the Group to MMG Laos (and/or LXML) shall be discharged in full at Closing.

**Transitional
Services
Agreement:**

The principal terms of the Transitional Services Agreement will, conditional on Closing of the Share Purchase Agreement, be as set out below.

- Parties:**
- (1) MMG Australia
 - (2) the Purchaser
 - (3) MMG Laos
 - (4) LXML

Term: The Transitional Services Agreement will be effective from the Closing Date and unless it is terminated earlier in accordance other terms of the Transitional Services Agreement, it ends on the expiry of the terms set out in respect of the firm service or additional services which in any event, are not initially greater than 3 months after Closing, unless extended by LXML by up to a further 3 months, or as otherwise agreed by the parties.

Undertakings: MMG Australia or one or more of its related entities (Supplier) must provide the Transitional Services to LXML for the agreed periods.

The Supplier must ensure that the Transitional Services provided are in material compliance with all applicable laws and materially consistent with and at least to a standard, scope and quality as those equivalent Transitional Services which were provided to LXML in the 12 months prior to the Closing Date.

Consideration: LXML agrees to pay the Supplier all costs, expenses and taxes directly and properly incurred by the Supplier in connection with providing the Transitional Services, plus a 3% mark-up during the initial 3 months term after Closing, and a 5% mark-up during the potential 3 months further extension of that term.

Each invoice for the Transitional Services will set out the costs and expenses incurred for the relevant month. LXML must pay each invoice within 30 days from the date of receipt of the invoice.

REASONS FOR AND BENEFITS OF THE NOTIFIABLE TRANSACTION

The Company has been considering the Sepon mine's role in its broader mining asset portfolio. The Share Sale forms part of the Company's wider plan to optimise its mining asset portfolio.

The book value of MMG Laos (and its corresponding 90% interest in LXML) was approximately US\$275,600,000 (equivalent to approximately HK\$2,149,680,000) as at 31 December 2017.

As a result of the Share Sale, an estimated net profit before tax, based on the expected sales proceeds and net assets position of MMG Laos and LXML as at the Closing Date, in the range of US\$0 (equivalent to approximately HK\$0) to US\$10,000,000 (equivalent to approximately HK\$78,000,000), is expected to be recognised in the Company's 2018 Financial Year. The net profit (or loss) before tax realised on the sale is dependent upon the performance the Sepon mine achieves up to the Closing Date.

The Company intends to use the proceeds from the disposal of the Sepon mine towards a combination of general corporate purposes, the retirement of outstanding short-term debt and further optimisation of its balance sheet, through a reduction in gearing.

GENERAL

The Directors are of the view that the terms of the Notifiable Transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

No Director has any material interest in the Notifiable Transaction.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Chifeng Group and their ultimate beneficial owner, are third parties independent of the Company and its connected persons.

The terms of, and consideration payable to the Seller by the Purchaser in respect of, the Notifiable Transaction were arrived at after arm's length negotiation between the Group and the Chifeng Group.

After Closing, MMG Laos and LXML will no longer be subsidiaries of the Company.

INFORMATION ABOUT THE SEPON BUSINESS

The Sepon mine is an open-pit copper mining operation located in southern Laos of which 10% is owned by the Government of Laos.

The net profit/loss before taxation attributable to the Sepon mine for the Company's 2017 and 2016 Financial Years were a net profit before taxation of US\$1,941,000 (equivalent to a net profit before taxation of approximately HK\$15,139,800) and a net loss before taxation of US\$47,550,000 (equivalent to a net loss before taxation of approximately HK\$370,890,000), respectively.

The net profit/loss after taxation attributable to the Sepon mine for the Company's 2017 and 2016 Financial Years were a net profit after taxation of US\$1,371,000 (equivalent to a net profit after taxation of approximately HK\$10,693,800) and a net loss after taxation of US\$31,735,000 (equivalent to a net loss after taxation of approximately HK\$247,533,000), respectively.

No extraordinary items arose during either of the 2017 and 2016 Financial Years.

IMPLICATIONS UNDER THE LISTING RULES

The Seller, MMG Laos and MMG Australia are wholly owned subsidiaries of the Company. The Share Purchase Agreement and its associated arrangements together constitute a "transaction" pursuant to Listing Rule 14.04(1).

As at least one of the applicable percentage ratios under Listing Rule 14.07 in respect of the Notifiable Transaction is more than 5% but all are less than 25%, the Notifiable Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION ABOUT THE GROUP

The Group is a leader in international metals and mining with a vision of being valued as one of the world's top mid-tier miners by 2020. The Company holds interests in five operating mines (including its current interest in the Sepon mine) and one development project. The Company primarily produces copper and zinc and also produces smaller quantities of gold, silver and lead.

The Seller, a wholly owned subsidiary of the Company, is a company that holds a portfolio of mining assets and companies including MMG Laos.

MMG Australia, a wholly owned subsidiary of the Company, owns mining assets and provides technical and administrative support services to the other members of the Group.

INFORMATION ABOUT CHIFENG GROUP

The Purchaser is a Shanghai-listed precious metals producer headquartered in Chifeng, Inner Mongolia.

The Purchaser is a leading gold producer in China, with 3 core mining operations along with a mineral resources recycling business which produces a variety of precious metals from low grade precious metals and electronic device recycling.

DEFINITIONS

In this announcement, the following expression has the meaning set out below unless the context requires otherwise.

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| Aggregate Consideration | US\$275,000,000 (equivalent to approximately HK\$2,145,000,000) payable by the Purchaser to the Seller as the consideration pursuant to the Share Purchase Agreement |
| Album Investment | Album Investment Private Limited, a company incorporated in Singapore and a wholly owned subsidiary of the Company |
| Board | board of Directors |

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| Business Day | a day that is not a Saturday, Sunday or public holiday in Hong Kong, China, Singapore, Australia, Laos or the Cayman Islands |
| Chifeng Group | the Purchaser and its holding companies and subsidiaries and any subsidiary of such holding company from time to time |
| Closing | completion of the Share Sale |
| Closing Date | the date on which Closing takes place |
| Company | MMG Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited and the Australian Securities Exchange |
| Directors | the directors of the Company |
| Financial Year | annual accounting period ending on 31 December in each calendar year |
| Group | the Company and its subsidiaries |
| Laos | The Lao People's Democratic Republic |
| Leakage | the leakage items set out in the Share Purchase Agreement |
| Listing Rules | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| Locked Box Date | 31 December 2017 |
| LXML | Lane Xang Minerals Limited, a company incorporated in Laos and a subsidiary of the Company |
| MMG Australia | MMG Australia Limited, a company incorporated in Australia and a wholly owned subsidiary of the Company |
| MMG Laos | MMG Laos Holdings Limited, a company incorporated in the Cayman Islands and a wholly owned subsidiary of the Company |
| Notifiable Transaction | the transaction contemplated by the Share Purchase Agreement and its associated arrangements |
| Permitted Leakage | permitted leakage items set out in the Share Purchase Agreement |
| PRC | People's Republic of China |
| Purchaser | Chifeng Jilong Gold Mining Co., Limited, a company incorporated in the PRC, and listed on the Shanghai Stock Exchange |

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| Sale Group | LXML and MMG Laos |
| Shares | 100% equity interest in MMG Laos |
| Share Sale | the transfer of the Shares by the Seller to the Purchaser pursuant to the Share Purchase Agreement |
| Transitional Services | the firm services and the additional services |
| Transitional Services Agreement | the agreement to be entered into for Transitional Services to be provided by a Supplier to LXML including people services, financial services and procurement services |
| US\$ or USD | the lawful currency of the United States of America |

Unless otherwise specified, conversion of US\$ into HK\$ in this announcement is based on the exchange rate of US\$1.00 = HK\$7.8 for the purpose of illustration only. No representation is made and there is no assurance that US\$ or HK\$ can be purchased or sold at such rate.

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

Hong Kong, 21 June 2018

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.