

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.*



**MMG LIMITED**  
**五礦資源有限公司**

*(Incorporated in Hong Kong with limited liability)*  
**(STOCK CODE: 1208)**

## DISCLOSEABLE TRANSACTION

### ISSUE OF CONVERTIBLE REDEEMABLE PREFERENCE SHARES BY A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

The Board is pleased to announce that, on 30 July 2013, the Company, Topstart and the Investor entered into the Investment Agreement, pursuant to which Topstart conditionally agreed to issue, and the Investor conditionally agreed to subscribe for, 338,000,000 Convertible Redeemable Preference Shares at a price of US\$1.00 per Convertible Redeemable Preference Share. The total consideration payable for the Convertible Redeemable Preference Shares is US\$338,000,000. Topstart is currently a wholly-owned subsidiary of the Company and the indirect holding company of the Group's DRC assets which were acquired by the Group in 2012.

On a fully-diluted and as-converted basis, the Convertible Redeemable Preference Shares to be issued pursuant to the Investment Agreement represent approximately 19.60% of the equity share capital of Topstart as at the date of this announcement. Correspondingly, assuming conversion in full of those Convertible Redeemable Preference Shares, the Company's interest in the ordinary share capital of Topstart will decrease to approximately 80.40%. As such, the Issue constitutes a deemed disposal of an interest in Topstart by the Company under Rule 14.29 of the Listing Rules.

The Directors believe the Issue enables the Group to raise capital for its business on attractive terms through a highly competitive rate of dividend of 5% initially.

As one or more of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% but each of them is less than 25%, the Issue constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules. Accordingly, the Issue is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**INTRODUCTION**

The Board is pleased to announce that, on 30 July 2013, the Company, Topstart and the Investor entered into the Investment Agreement, pursuant to which Topstart agreed to issue, and the Investor agreed to subscribe for, 338,000,000 Convertible Redeemable Preference Shares. On a fully-diluted and as-converted basis, the Convertible Redeemable Preference Shares to be issued pursuant to the Investment Agreement represent approximately 19.60% of the equity share capital of Topstart as at the date of this announcement.

Both on completion of the Issue and on conversion in full of the Convertible Redeemable Preference Shares (if applicable), Topstart will continue to be a subsidiary of the Company.

**THE INVESTMENT AGREEMENT**

The key terms of the Investment Agreement are as follows.

- Date: 30 July 2013.
- Parties: The Company.  
Topstart, as the issuer.  
The Investor, as the subscriber.  
To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Investor and its ultimate beneficial owners are third parties independent of the Company and any connected persons of the Company.
- Number of Convertible Redeemable Preference Shares: 338,000,000.
- Issue price: US\$1.00 per Convertible Redeemable Preference Share.  
The issue price was determined after arm’s length negotiations between the parties to the Investment Agreement.
- Total consideration payable for the Convertible Redeemable Preference Shares: US\$338,000,000.
- Conditions precedent: Completion of the Issue shall be conditional on the following conditions precedent being satisfied or waived:
  - a) Topstart having obtained confirmation from the British Virgin Islands Registry of Corporate Affairs of completion of the filing of Topstart’s amended memorandum and articles of association (amended to incorporate the terms of the Convertible Redeemable Preference Shares); and

	<ul style="list-style-type: none"> <li>b) all the representations and warranties made by each of the parties to the Investment Agreement being accurate.</li> </ul>
Completion date:	The fifth Business Day following satisfaction or waiver of the conditions precedent set out above or such other day as the parties may agree.
Termination:	A party may terminate the Investment Agreement by giving not less than two Business Days' notice if any of the conditions precedent set out above are not satisfied by 31 August 2013 or become incapable of satisfaction or the parties agree that any of the conditions precedent cannot be satisfied.
Change of control event:	<p>If the Company intends to sell Ordinary Shares to a third party which will result in the Company ceasing to directly or indirectly hold at least 50% of the Ordinary Shares, the Investor may require Topstart (at Topstart's sole discretion) to:</p> <ul style="list-style-type: none"> <li>a) convert all the Investor's Convertible Redeemable Preference Shares into Ordinary Shares; or</li> <li>b) redeem all the Investor's Convertible Redeemable Preference Shares.</li> </ul> <p>If Topstart elects to convert all the Investor's Convertible Redeemable Preference Shares into Ordinary Shares, the Company will then purchase from the Investor all the Ordinary Shares issued on conversion for the Conversion Price per Ordinary Share and otherwise on substantially the same terms and conditions as the sale of the Company's Ordinary Shares to the third party.</p>
Restriction on issue of Ordinary Shares by Topstart:	Topstart must not issue or agree to issue any Ordinary Shares to a person other than an existing shareholder for an issue price of less than the Conversion Price, initially US\$1.00, per Ordinary Share without the prior written consent of the Investor (such consent not to be unreasonably withheld or delayed).
Pre-emption right on issue:	If Topstart wishes to issue any Ordinary Shares to a person other than an existing shareholder (including as a result of the conversion of a convertible security or exercise of an option), the Investor will have the right, but not the obligation, to purchase its pro rata proportion (on a fully-diluted basis) of such Ordinary Shares.
Consent rights:	For so long as the Investor holds any Convertible Redeemable Preference Shares, Topstart will not undertake certain actions (including, without limitation, entering into any large transactions or transactions outside the ordinary course of its business, entering into large third party borrowing arrangements and providing loans to, or giving guarantees or indemnities for the benefit of, any person other than a member of the Group otherwise than in the ordinary course of its business) without the prior written consent of the Investor.

## TERMS OF THE CONVERTIBLE REDEEMABLE PREFERENCE SHARES

The key terms of the Convertible Redeemable Preference Shares are as follows.

- Issue Price: US\$1.00 per Convertible Redeemable Preference Share.
- Dividends: Each Convertible Redeemable Preference Share confers a right to receive dividends, in preference to the holders of Ordinary Shares, from and including the Issue Date at the applicable rate of dividend, payable in cash: (a) semi-annually in arrears; (b) on the date of redemption of that Convertible Redeemable Preference Share; (c) upon the liquidation or winding up of Topstart; and/or (d) on the date of conversion of a Convertible Redeemable Preference Share.
- Rate of dividend: The rate of dividend will be:
- a) 5% per annum for the period from (and including) the Issue Date to (but excluding) the date falling eight years after the Issue Date; and
  - b) 8% per annum for the period from (and including) the date falling eight years after the Issue Date to (but excluding) the Maturity Date,
- save that, if the Company ceases to hold, directly or indirectly, at least 50% of the Ordinary Shares, the rate of dividend will increase by 3% per annum with effect from the next dividend payment date.
- Optional deferral of dividends: Topstart may, at its sole discretion, from time to time elect to defer all or part of any scheduled dividend payment in respect of the Convertible Redeemable Preference Shares. Any such deferred dividend will bear interest at a rate of:
- a) 5% per annum during the period from (and including) the Issue Date to (but excluding) the date falling eight years after the Issue Date; and
  - b) 8% per annum during the period from (and including) the date falling eight years after the Issue Date to (but excluding) the Maturity Date.
- Conversion Price: Initially US\$1.00 (being the issue price under the Investment Agreement), subject to adjustment for any splitting or consolidation of the Ordinary Shares (**Conversion Price**).
- Optional conversion by the holder: Each holder of Convertible Redeemable Preference Shares may, at any time (provided neither Topstart or the holder has already issued a redemption notice with respect to such Convertible Redeemable Preference Shares) within the period commencing after the third anniversary of the Issue Date and ending 24 years after the Issue Date (**Conversion Period**), request the conversion by Topstart of all or some of the Convertible Redeemable Preference Shares held by it into Ordinary Shares by giving one year's notice in writing to Topstart.
- The number of Ordinary Shares to be issued on conversion will be determined by dividing the aggregate issue price of the Convertible Redeemable Preference Shares to be converted by the Conversion Price in effect as at the conversion date (rounded to the nearest whole number with

one-half being rounded upwards). In addition, Topstart will pay to the holder(s) an amount equal to the aggregate accrued and unpaid dividends, deferred dividends and interest on deferred dividends payable in respect of the Convertible Redeemable Preference Shares to be converted as at the conversion date.

Prior to the conversion of any Convertible Redeemable Preference Share at the request of a holder of Convertible Redeemable Preference Shares, Topstart and each shareholder in Topstart (including each holder of Ordinary Shares and Convertible Redeemable Preference Shares) must enter into an agreement regarding the rights and obligations of the shareholders (**Shareholder Agreement**), including customary joint venture terms in respect of (without limitation) board composition, transfer of shares, management fees, scope of activities, dividend policy, matters requiring unanimous approval, amendment of the memorandum and articles of association of Topstart, pre-emption rights on new issues and tag-along rights. In the event that a Shareholder Agreement cannot be entered into, within 15 days after the conversion date Topstart will either redeem the relevant Convertible Redeemable Preference Shares for the Redemption Amount or the Company shall purchase the relevant Convertible Preference Shares for the Redemption Amount.

Restriction on optional conversion by the holder:

No Convertible Redeemable Preference Shares may be converted into Ordinary Shares if such conversion would cause the holder of those Convertible Redeemable Preference Shares to hold 50% or more of the Ordinary Shares, unless the conversion is as a consequence of a Change of Law Event, or the conversion is otherwise prohibited by applicable laws.

Conversion on change of law:

If there occurs a change of law, policy or requirements of any PRC regulatory authority such that a holder of Convertible Redeemable Preference Shares is unable to continue to hold such shares (**Change of Law Event**), the holder may during the period ending 90 days before the Maturity Date, within 30 days after the Change of Law Event, request Topstart to convert some or all of the Convertible Redeemable Preference Shares held by it into Ordinary Shares in accordance with the provisions summarised under the heading "Optional conversion by the holder" above (save that a notice period of 90 days will apply rather than one year).

Redemption Amount:

The Conversion Price, initially being US\$1.00 per Convertible Redeemable Preference Share (being the issue price under the Investment Agreement), together with any accrued and unpaid dividends, deferred dividends and interest on deferred dividends payable in respect of that Convertible Redeemable Preference Share as at the date of redemption (**Redemption Amount**).

Optional redemption by Topstart:

Topstart may, at any time after the third anniversary of the Issue Date until the Maturity Date (including, without limitation, at any time after a holder has given a conversion notice in respect of its Convertible Redeemable Preference Shares but before conversion occurs), in its sole discretion and subject to applicable laws, redeem any or all of the outstanding Convertible

	<p>Redeemable Preference Shares by giving not less than 10 days' notice in writing to the holders thereof.</p> <p>On redemption of any Convertible Redeemable Preference Shares, Topstart will pay the Redemption Amount to the holder(s) thereof.</p>
Conversion or redemption on maturity:	<p>If any Convertible Redeemable Preference Shares have not been converted or redeemed on or before the Maturity Date, Topstart will, on the Maturity Date:</p> <ul style="list-style-type: none"> <li>a) subject to applicable laws, redeem those Convertible Redeemable Preference Shares and pay to the holder(s) thereof the Redemption Amount; or</li> <li>b) pay to the holder(s) thereof any accrued and unpaid dividends, deferred dividends and interest on deferred dividends payable in respect of those Convertible Redeemable Preference Shares as at the Maturity Date and convert those Convertible Redeemable Preference Shares into Ordinary Shares.</li> </ul>
Conversion or redemption on liquidation:	<p>If there is a winding up of, or a liquidator is appointed to, Topstart, a holder of Convertible Redeemable Preference Shares may within 30 days after the winding up or appointment:</p> <ul style="list-style-type: none"> <li>a) during the Conversion Period, request Topstart to convert some or all of the Convertible Redeemable Preference Shares held by it into Ordinary Shares in accordance with the provisions summarised under the heading "Optional conversion by the holder" above (save that a notice period of 90 days will apply rather than one year); and/or</li> <li>b) subject to applicable laws, request Topstart to redeem some or all of the Convertible Redeemable Preference Shares held by it for the Redemption Amount.</li> </ul>
Voting:	<p>Save as otherwise required by law, the Convertible Redeemable Preference Shares will not give their holder(s) the right to receive notice of, attend or vote at general meetings of Topstart or otherwise vote on matters in respect of which the holders of Ordinary Shares may vote.</p>
Ranking:	<p>The Convertible Redeemable Preference Shares rank <i>pari passu</i> without any preference or priority among themselves.</p> <p>In the event of any liquidation or winding up of Topstart, the rights and claims of the holder(s) of the Convertible Redeemable Preference Shares will rank ahead of the rights and claims of the holder(s) of the Ordinary Shares.</p>
Transferability:	<p>The Convertible Redeemable Preference Shares are not transferable save with the consent of Topstart (which must not be unreasonably withheld).</p>
Maturity Date:	<p>The date falling 25 years after the Issue Date.</p>
Listing:	<p>The Convertible Redeemable Preference Shares will not be listed on any stock exchange.</p>

## **REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE REDEEMABLE PREFERENCE SHARES**

The Directors believe the Issue enables the Group to raise capital for its business on attractive terms. The rate of dividend is highly competitive, providing finance for the Group's general corporate purposes at an advantageous rate and for an advantageous term.

The Directors believe that the terms of the Issue, including the terms of the Investment Agreement and the terms of the Convertible Redeemable Preference Shares, are fair and reasonable and in the interests of its shareholders as a whole.

## **USE OF PROCEEDS**

The aggregate net proceeds of the Issue, after deduction of all related expenses, will be approximately US\$337,500,000. The Company intends to use the proceeds for the general corporate purposes of the Group.

## **INFORMATION ABOUT THE INVESTOR**

The Investor is a special purpose vehicle incorporated for the purpose of acquiring and holding the Convertible Redeemable Preference Shares. The Investor is a wholly-owned subsidiary of GUOXIN International Investment. GUOXIN International Investment is a financial investment company registered in Hong Kong.

## **INFORMATION ABOUT TOPSTART**

Topstart is currently a wholly-owned subsidiary of the Company and the indirect holding company of the Kinsevere Mine and other assets located in the DRC which were acquired by the Group in 2012. The Group's principal activities in the DRC include mineral exploration, development and mining.

Based on the unaudited consolidated financial statements of Topstart prepared by using Hong Kong Financial Reporting Standards, the total asset value of Topstart as at 31 December 2012 was approximately US\$1,708,100,000, the net asset value as at 31 December 2011 was approximately US\$28,000,000, the net (loss)/profit before taxation and extraordinary items attributable to the shareholders of Topstart for the years ended 31 December 2012 and 31 December 2011 was approximately US\$(20,500,000) and US\$27,900,000 respectively, while the net (loss)/profit after taxation and extraordinary items attributable to the shareholders of Topstart for the years ended 31 December 2012 and 31 December 2011 was approximately US\$(14,200,000) and US\$27,900,000 respectively.

## **INFORMATION ABOUT THE GROUP**

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

## IMPLICATIONS UNDER THE LISTING RULES

Topstart is currently a wholly-owned subsidiary of the Company. Assuming conversion in full of the Convertible Redeemable Preference Shares to be issued pursuant to the Investment Agreement, the Company's interest in the ordinary share capital of Topstart will decrease to approximately 80.4%. As such, the Issue constitutes a deemed disposal of an interest in Topstart by the Company under Rule 14.29 of the Listing Rules.

As one or more of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% but each of them is less than 25%, the Issue constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules. Accordingly, the Issue is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

Board	the board of directors of the Company
Business Day	a day on which banks are open for business in Hong Kong (excluding a Saturday, Sunday or public holiday)
Change of Law Event	has the meaning given to it in the section of this announcement entitled "Terms of the Convertible Redeemable Preference Shares – Conversion on change of law"
Company	MMG Limited, a company incorporated on 29 July 1988 in Hong Kong with limited liability and listed on the main board of the Stock Exchange
Conversion Period	has the meaning given to it in the section of this announcement entitled "Terms of the Convertible Redeemable Preference Shares – Optional conversion by the holder"
Conversion Price	has the meaning given to it in the section of this announcement entitled "Terms of the Convertible Redeemable Preference Shares – Conversion Price"
Convertible Redeemable Preference Shares	convertible redeemable preference shares with an issue price of US\$1.00 each in the share capital of Topstart
Directors	the directors of the Company
DRC	the Democratic Republic of Congo
Group	the Company and its subsidiaries
GUOXIN International Investment	GUOXIN International Investment Corporation Limited is a financial investment company incorporated in Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China



Investment Agreement	the investment agreement dated 30 July 2013 among the Company, Topstart and the Investor in relation to the subscription for, and issue of, 338,000,000 Convertible Redeemable Preference Shares
Investor	Alber Holdings Company Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of GUOXIN International Investment
Issue	the issue of Convertible Redeemable Preference Shares by Topstart pursuant to the terms of the Investment Agreement
Issue Date	the date of the Issue, being the completion date under the Investment Agreement
Kinsevere Mine	an open pit copper mine located in the Katanga Province of the DRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Maturity Date	has the meaning given to it in the section of this announcement entitled "Terms of the Convertible Redeemable Preference Shares – Maturity Date"
Ordinary Shares	the ordinary shares of par value US\$1.00 each in the share capital of Topstart
Redemption Amount	has the meaning given to it in the section of this announcement entitled "Terms of the Convertible Redeemable Preference Shares – Redemption Amount"
Shareholder Agreement	has the meaning given to it in the section of this announcement entitled "Terms of the Convertible Redeemable Preference Shares – Optional conversion by the holder"
Stock Exchange	The Stock Exchange of Hong Kong Limited
Topstart	Topstart Limited, a company incorporated in the British Virgin Islands with limited liability and currently a wholly-owned subsidiary of the Company
US\$	United States dollars, the lawful currency of the United States of America
%	per cent.

By order of the Board  
**MMG Limited**  
**Andrew Gordon Michelmore**  
*CEO and Executive Director*

Hong Kong, 30 July 2013

*As at the date of this announcement, the board of directors of the Company comprises nine directors, of which three are executive directors, namely Mr. Andrew Gordon Michelmore, Mr. David Mark Lamont and Mr. Xu Jiqing; three are non-executive directors, namely Mr. Wang Lixin (Chairman), Mr. Jiao Jian and Mr. Gao Xiaoyu; and three are independent non-executive directors, namely Dr. Peter William Cassidy, Mr. Anthony Charles Larkin and Mr. Leung Cheuk Yan.*