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MMG LIMITED
五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(STOCK CODE: 1208)

CONTINUING CONNECTED TRANSACTION

PRODUCTS SALE FRAMEWORK AGREEMENT - REVISION OF ANNUAL CAP

References are made to the 2012 Announcement and the Circular.

The Company has reviewed the existing annual cap of the Products Sale Framework Agreement for the year ending 31 December 2014 and it is expected that the transaction amount for the sale of copper concentrate under the Products Sale Framework Agreement would be greater than originally estimated. As such, the Company is seeking approval from the Independent Shareholders to revise the annual cap of the Products Sale Framework Agreement for the year ending 31 December 2014.

As the relevant percentage ratios in respect of the Revised Annual Cap are more than 5%, the Revised Annual Cap will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Revised Annual Cap.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders for the Revised Annual Cap.

A circular containing, among other things, details of the Revised Annual Cap, a letter from the Independent Board Committee and a letter of advice from the Independent Financial Adviser together with a notice to convene the AGM, will be despatched to the shareholders of the Company on or before 14 April 2014.

INTRODUCTION

References are made to the 2012 Announcement and the Circular. On 5 April 2012, the Company entered into the Products Sale Framework Agreement with CMN in relation to the sale of copper cathode, copper concentrate, zinc concentrate and lead concentrate produced, processed, manufactured, traded or distributed by any member of the Group to the CMN Group.

On 30 May 2012, the Independent Shareholders approved the Products Sale Framework Agreement and the Approved Annual Caps.

REVISED ANNUAL CAP FOR THE PRODUCTS SALE FRAMEWORK AGREEMENT

The Company has reviewed the existing annual cap of the Products Sale Framework Agreement for the year ending 31 December 2014 and it is expected that the transaction amount for the sale of copper concentrate under the Products Sale Framework Agreement would be greater than originally estimated. As such, the Company is seeking approval from the Independent Shareholders to revise the annual cap of the Products Sale Framework Agreement for the year ending 31 December 2014.

As at the date of this announcement, the annual cap for the Products Sale Framework Agreement for the year ending 31 December 2014 has not been exceeded.

Proposed Revised Annual Cap

The Company proposes that the annual cap for the sale of copper concentrate under the Products Sale Framework Agreement for the financial year ending 31 December 2014 to be increased from US\$40 million (equivalent to approximately HK\$312 million) by US\$85 million (equivalent to approximately HK\$663 million) to US\$125 million (equivalent to approximately HK\$975 million), and hence the proposed maximum aggregate amount payable by the CMN Group to the Group under the Products Sale Framework Agreement for the financial year ending 31 December 2014 is as follows:

	For the financial year ending 31 December 2014	
	<i>Original annual cap</i>	<i>Revised annual cap</i>
	<i>US\$'000,000</i>	<i>US\$'000,000</i>
Sale of Products		
Copper cathode	108	108
(in HK\$'000,000 equivalent)	(842.4)	(842.4)
Copper concentrate	40	125
(in HK\$'000,000 equivalent)	(312)	(975)
Zinc concentrate	60	60
(in HK\$'000,000 equivalent)	(468)	(468)
Lead concentrate	50	50
(in HK\$'000,000 equivalent)	(390)	(390)
Total:	<u>258</u>	<u>343</u>
	<u>(2,012.4)</u>	<u>(2,675.4)</u>

The Revised Copper Concentrate Annual Cap was determined by reference to the historical transaction amounts for the sale of copper concentrate by the Group to the CMN Group, the anticipated growth in demand of copper concentrate in the PRC, demand from new end users that CMN has introduced to the Group's copper concentrate and who wish to buy through CMN, prevailing and projected market prices of copper concentrate and an additional buffer of approximately 11% to allow for possible price fluctuations during the year. The remaining annual caps allocated to copper cathode, zinc concentrate and lead concentrate, remain unchanged.

Historical Transaction Amounts

For the two years ended 31 December 2012 and 2013, (i) the total amount payable by the CMN Group to the Group for the sale of copper concentrate amounted to US\$25.6 million (equivalent to approximately HK\$199.7 million) and US\$36.7 million (equivalent to approximately HK\$286.3 million) respectively; and (ii) the aggregate amount payable by the CMN Group to the Group under the Products Sale Framework Agreement amounted to US\$141.9 million (equivalent to approximately HK\$1,106.8 million) and US\$130.9 million (equivalent to approximately HK\$1,021.0 million) respectively.

REASONS FOR THE REVISED ANNUAL CAP

As part of the Group's ordinary and usual course of business, the Group has been selling Products to the CMN Group. Given that the expected purchase amount of the copper concentrate in the PRC, and consequently from the CMN Group under the Products Sale Framework Agreement for the year ending 31 December 2014, would be greater than originally estimated, the Directors (other than the independent non-executive Directors whose view will be given after taking into account the advice from an independent financial adviser) are of the view that it would be in the interest of the Company and its Shareholders to revise the annual cap for the sale of copper concentrate under the Products Sale Framework Agreement for the year ending 31 December 2014 to the Revised Copper Concentrate Annual Cap, and hence the annual cap of the Products Sale Framework Agreement for the year ending 31 December 2014 to the Revised Annual Cap in order to enable the Company to take advantage of the increased demand for copper concentrate from the CMN Group.

GENERAL

The Products Sale Framework Agreement was entered into under normal commercial terms, the Directors (excluding the independent non-executive Directors whose view will be given after taking into account the advice from an independent financial adviser) are of the view that the Revised Copper Concentrate Annual Cap (and hence the Revised Annual Cap) is fair and reasonable and in the interests of the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As disclosed in the 2012 Announcement, CMN is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As a result, the Products Sale Framework Agreement constitutes a continuing connected transaction for the Company.

As the relevant percentage ratios in respect of the Revised Annual Cap are more than 5%, the Revised Annual Cap will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Revised Annual Cap.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders for the Revised Annual Cap.

A circular containing, among other things, details of the Revised Annual Cap, a letter from the Independent Board Committee and a letter of advice from the Independent Financial Adviser together with a notice to convene the AGM, will be despatched to the shareholders of the Company on or before 14 April 2014.

The expected despatch date of the circular to shareholders of the Company is more than 15 business days after the publication of this announcement since it will be despatched with the notice to convene the AGM and the Annual Report of the Company, which will be despatched in accordance with the requirements of the Listing Rules.

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.

INFORMATION ABOUT CMN

CMN is a trader and supplier of non-ferrous metals.

DEFINITIONS

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

2012 Announcement	the announcement of the Company dated 5 April 2012 in relation to the Products Sale Framework Agreement
AGM	an annual general meeting of the Company to be held on 21 May 2014 to consider and approve, among other things, the Revised Annual Cap
Approved Annual Caps	the maximum aggregate annual amount payable by the CMN Group to the Group under the Products Sale Framework Agreement for each of the financial years ended/ending 31 December 2012, 2013 and 2014 as set out in the 2012 Announcement
associates	has the meaning ascribed to it under the Listing Rules
Board	the board of Directors
Circular	the circular of the Company dated 27 April 2012 in relation to, among other things, the Products Sale Framework Agreement
CMC	中國五礦集團公司 (China Minmetals Corporation), formerly known as 中國五金礦產進出口總公司 (China National Metals and Minerals Import and Export Corporation), a state-owned enterprise incorporated on 7 April 1950 under the laws of the PRC and the ultimate controlling shareholder of the Company
CMCL	中國五礦股份有限公司 (China Minmetals Corporation Limited), a joint stock limited company incorporated on 16 December 2010 under the laws of the PRC and owned as to approximately 87.538% directly by CMC and as to approximately 0.846% directly by 中國五金製品有限公司 (China National Metal Products Co., Ltd.), a wholly owned subsidiary of CMC. CMC has an attributable interest of approximately 88.384% in CMCL as at the date of this announcement

CMN	五礦有色金屬股份有限公司 (China Minmetals Non-Ferrous Metals Company Limited), a joint stock limited company incorporated on 27 December 2001 under the laws of the PRC and owned as to approximately 99.999% directly by CMNH and approximately 0.001% directly by CMCL as at the date of this announcement. CMN is the controlling shareholder of the Company, holding indirectly approximately 73.69% of the total number of shares of the Company in issue as at the date of this announcement
CMN Group	CMN and its subsidiaries and associates from time to time (excluding the Group)
CMNH	五礦有色金屬控股有限公司 (China Minmetals Non-ferrous Metals Holding Company Limited), a joint stock limited company incorporated on 22 December 2009 under the laws of the PRC and a wholly owned subsidiary of CMCL. CMNH is a controlling shareholder of CMN, holding approximately 99.999% of CMN as at the date of this announcement
Company	MMG Limited, a company incorporated on 29 July 1988 in Hong Kong with limited liability, the shares of which are listed and traded on the main board of the Stock Exchange
connected person	has the meaning ascribed to it under the Listing Rules
controlling shareholder	has the meaning ascribed to it under the Listing Rules
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries from time to time
Hong Kong	the Hong Kong Special Administration Region of the PRC
Independent Board Committee	an independent committee of the Board, comprising all the independent non-executive Directors, namely Dr Peter William Cassidy, Mr Anthony Charles Larkin and Mr Leung Cheuk Yan, established to give an opinion on the Revised Annual Cap
Independent Financial Adviser	Somerley Capital Limited, a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) 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 Revised Annual Cap
Independent Shareholders	shareholders of the Company who do not have any material interests in the Products Sale Framework Agreement other than by virtue of their respective shareholdings in the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange

PRC	People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan)
Products	copper cathode, copper concentrate, zinc concentrate and lead concentrate produced, processed, manufactured, traded or distributed by any member of the Group
Products Sale Framework Agreement	the agreement dated 5 April 2012 between the Company and CMN in relation to the sale of copper cathode, copper concentrate, zinc concentrate and lead concentrate produced, processed, manufactured, traded or distributed by any member of the Group to the CMN Group
Revised Annual Cap	the revised maximum aggregate annual amount payable by the CMN Group to the Group under the Products Sale Framework Agreement for the financial year ending 31 December 2014
Revised Copper Concentrate Annual Cap	the revised maximum annual amount payable by the CMN Group to the Group for the sale of copper concentrate under the Products Sale Framework Agreement for the financial year ending 31 December 2014
Stock Exchange	The Stock Exchange of Hong Kong Limited
%	Percentage

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
Andrew Gordon Michelmore
CEO and Executive Director

Hong Kong, 19 March 2014

As at the date of this announcement, the Board 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.