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**MMG LIMITED**

**五礦資源有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(STOCK CODE: 1208)**

## LAS BAMBAS TAX UPDATE

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (Listing Rules) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (Board) of MMG Limited (MMG or Company and, together with its subsidiaries, the Group) wishes to inform shareholders that the Company's subsidiary, Minera Las Bambas S.A. (MLB), has received an assessment notice (Assessment) from the National Superintendence of Tax Administration of Peru (SUNAT) in connection with an audit conducted by SUNAT in relation to tax withheld on fees paid by MLB under certain loans in the 2014 tax year. In the Assessment, SUNAT advised MLB that, in its opinion, MLB and a group of lender banks are related parties and thus a 30% withholding tax rate ought to be imposed rather than the 4.99% applied. The Assessment of omitted tax is in the amount of PEN 60,687,851 (approximately US\$17,339,386). The total Assessment of omitted tax plus penalties and interest imposed by SUNAT equals PEN 154,193,808 (approximately US\$44,055,374).

The loans to which the Assessment relates are certain loans (Loans) provided to MLB pursuant to facility agreements entered into among MLB and a consortium of Chinese banks (the Lenders) in connection with the acquisition of the Las Bambas mine in 2014.

The Company notes that the Assessment is based on SUNAT's challenge of the 4.99% rate of withholding tax applied by MLB in the 2014 tax year in respect of fees paid to the Lenders under the Loans considering Article 56(f) of the Peruvian Income Tax Law (PITL). This Article provides that interest paid abroad by private Peruvian companies on credits granted by "related" foreign companies is subject to a 30% rate of withholding tax, rather than the 4.99% rate applicable to credits between entities which are not related. According to SUNAT, MLB, MMG and MMG's ultimate controlling shareholder 中國五礦集團有限公司 (China Minmetals Corporation) (CMC) are related to the Lenders because of certain alleged links between (a) MLB, MMG and CMC and the Chinese State on the one hand and (b) the Lenders and the Chinese State on the other hand.

MLB disagrees with this interpretation and application of the PITL by SUNAT. MLB intends to appeal the Assessment and not to pay the assessed amount to SUNAT pending resolution of the appeal. We note that appeals in the Peruvian Judiciary System can take many years to resolve.

Considering MLB's proposed appeal and the advice of the Group's tax and legal advisers, the Company does not intend to recognise a liability in its consolidated financial statements for any assessed amount.

The Board further notes that the PITL was amended from October 2017 to provide that parties are not "related" to each other by virtue of each such party being a state-owned (or state-controlled) entity. However, SUNAT could potentially bring a similar challenge regarding the rate of withholding tax applied by MLB in the 2015 and 2016 tax years and the part of the 2017 tax year before the amendment to the PITL, interpret other provisions of the PITL in this manner or make assessments against other members of the Group. Where MMG is not successful in rebutting or appealing such challenge(s), this could result in significant additional tax liabilities.

The Company will provide further updates when available.

By order of the Board  
**MMG Limited**  
**Gao Xiaoyu**  
*CEO and Executive Director*

Hong Kong, 3 August 2020

*As at the date of this announcement, the Board consists of eight directors, of which one is an executive director, namely Mr Gao Xiaoyu; four are non-executive directors, namely Mr Guo Wenqing (Chairman), Mr Jiao Jian, Mr Zhang Shuqiang and Mr Xu Jiqing; and three are independent non-executive directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan and Mr Chan Ka Keung, Peter.*