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METALLURGICAL CORPORATION OF CHINA LTD. *

中國冶金科工股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1618)

CONNECTED TRANSACTION CAPITAL INCREASE IN GENERTEC MINMETALS

The Board announced that on 2 June 2020, the MCC Investors (including MCC 19 Group, MCC 5 Group and MCC 17 Group, all being subsidiaries of the Company) signed the Capital Increase Agreement with the Minmetals Investors (including Minmetals Assets Management, Minmetals Innovation Investment and Minmetals Real Estate), Universal Hospital Investment, CITIC Capital and Genertec Minmetals. Pursuant to the Capital Increase Agreement, the parties agreed to increase the capital of Genertec Minmetals, of which, the MCC Investors will contribute RMB175,076,700 in total by injecting the Target Assets and will in turn acquire 20.67% equity interest in Genertec Minmetals.

China Minmetals indirectly holds approximately 49.18% of the total number of issued shares of the Company and is an indirect controlling shareholder of the Company. All of the Minmetals Investors are subsidiaries of China Minmetals, and are therefore all connected persons of the Company. Prior to the Transaction, the Minmetals Investors hold a total of 44% equity interest in Genertec Minmetals. As such, Genertec Minmetals is an associate of China Minmetals and is also a connected person of the Company. Therefore, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Transaction involves both acquisition and disposal by the Group. Pursuant to the Listing Rules, the Company shall classify the Transaction by reference to the higher of the percentage ratios in respect of the acquisition and the disposal, and based on the classification, comply with applicable requirements under the Listing Rules. As the highest applicable percentage ratio of the Transaction is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. BACKGROUND

The Board announced that on 2 June 2020, the MCC Investors (including MCC 19 Group, MCC 5 Group and MCC 17 Group, all being subsidiaries of the Company) signed the Capital Increase Agreement with the Minmetals Investors (including Minmetals Assets Management, Minmetals Innovation Investment and Minmetals Real Estate), Universal Hospital Investment, CITIC Capital and Genertec Minmetals. Pursuant to the Capital Increase Agreement, the parties agreed to increase the capital of Genertec Minmetals, of which, the MCC Investors will contribute RMB175,076,700 in total by injecting the Target Assets and will in turn acquire 20.67% equity interest in Genertec Minmetals.

II. CAPITAL INCREASE AGREEMENT

The principal terms of the Capital Increase Agreement are as below:

Parties

Investors: MCC Investors (including MCC 19 Group, MCC 5 Group and MCC 17 Group, all being subsidiaries of the Company);

Minmetals Investors (including Minmetals Assets Management, Minmetals Innovation Investment and Minmetals Real Estate);

Universal Hospital Investment;

CITIC Capital; and

Target Company: Genertec Minmetals.

To the Directors' knowledge, information and belief, having made all reasonable enquiries, Universal Hospital Investment, CITIC Capital and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Capital Increase in Genertec Minmetals

Pursuant to the Capital Increase Agreement, the parties agreed to increase the capital of Genertec Minmetals by a total amount of RMB837,000,800, of which, the MCC Investors will contribute RMB175,076,700 in total by injecting the Target Assets and will in turn acquire 20.67% equity interest in Genertec Minmetals. Genertec Minmetals will not become a subsidiary of the Company as a result of the Transaction.

The amounts and methods of the capital contributions of the parties, as well as their respective shareholding percentages in Genertec Minmetals prior to the Transaction and upon completion of the Transaction are set out below:

Investors	Prior to the Transaction		Upon completion of the Transaction		Contribution method
	Contribution amount (RMB)	Shareholding percentage	Contribution amount (RMB)	Shareholding percentage	
MCC Investors:					
MCC 19 Group	–	–	73,425,500	8.67%	Assets
MCC 5 Group	–	–	65,339,500	7.71%	Assets
MCC 17 Group	–	–	36,311,700	4.29%	Assets
<i>Sub-total:</i>	–	–	<i>175,076,700</i>	<i>20.67%</i>	
Minmetals Investors:					
Minmetals Assets					
Management	3,900,000	39%	116,142,500	13.71%	Assets
Minmetals Innovation					
Investment	500,000	5%	42,350,000	5%	Cash
Minmetals Real Estate	–	–	39,111,100	4.62%	Assets
<i>Sub-total:</i>	<i>4,400,000</i>	<i>44%</i>	<i>197,603,600</i>	<i>23.33%</i>	
Universal Hospital					
Investment	4,600,000	46%	389,620,400	46%	Cash
CITIC Capital	1,000,000	10%	84,700,100	10%	Cash
Total:	10,000,000	100%	847,000,800	100%	

The respective amount of the capital contribution to be made by each of the parties under the Capital Increase Agreement was arrived at after arm's length negotiations among the parties having taken into account, among others, the expected capital requirements of Genertec Minmetals, the appraised net assets value of the assets to be injected (including the Target Assets) and the parties' respective intended equity interest percentages in Genertec Minmetals.

Based on the appraisal on the Target Assets conducted by an independent valuer adopting the asset based approach with 31 May 2019 as the benchmark date, the appraised net assets value of the Target Assets was RMB175,076,700 in total. The MCC Investors will make the capital contribution to Genertec Minmetals based on the above appraised net assets value of the Target Assets.

The profits or losses incurred by the Target Assets during the period from the benchmark date (i.e. 31 May 2019) to the completion date shall be shared or assumed by the MCC Investors.

Delivery of the Target Assets

The MCC Investors shall deliver the Target Assets (except for the land and the real estate) to Genertec Minmetals within five business days after the completion of the matters specified in the Capital Increase Agreement (including, among others, the completion of the approval procedures on the regulation of state-owned assets for the Transaction) and sign a transferred property list with the Minmetals Investors, Universal Hospital Investment, CITIC Capital and Genertec Minmetals to confirm the transfer of the relevant assets.

The MCC Investors shall register the use right of the land and the ownership of the real estate in the Target Assets under the name of Genertec Minmetals within 12 months or a longer period as agreed by the parties after the completion of the change in industrial and commercial registration for the Transaction.

Corporate Governance

The board of directors of Genertec Minmetals comprises of seven directors, of which, three are nominated by Universal Hospital Investment, two are nominated by Minmetals Assets Management, one is nominated by CITIC Capital, and one is elected at the employee representatives' conference. Its supervisory committee comprises of five supervisors, of which, one is nominated by Universal Hospital Investment, one is nominated by Minmetals Assets Management, one is nominated by CITIC Capital, and two are elected at the employee representatives' conference. In addition, the general manager of Genertec Minmetals is nominated by Minmetals Assets Management, and the financial controller is nominated by Universal Hospital Investment.

III. INFORMATION ON GENERTEC MINMETALS

Genertec Minmetals was established in March 2019 and is principally engaged in medicine retail, hospital management, health management, economy and trade consultation, home-based elderly care services, etc. Prior to the Transaction and upon completion of the Transaction, Genertec Minmetals is a subsidiary of Universal Hospital Investment and is held as to 46% by Universal Hospital Investment.

Based on the financial statements of Genertec Minmetals prepared in accordance with the China Accounting Standards for Business Enterprises, the total assets and net assets of Genertec Minmetals as at 31 December 2019 were RMB580,828 and RMB-516,418, respectively. For the year ended 31 December 2019, the total profit and net profit of Genertec Minmetals were both RMB-1,516,418.

IV. INFORMATION ON THE TARGET ASSETS

The Target Assets include the net assets of the MCC5 Hospital (五冶醫院) located in Chengdu, Sichuan, the PRC (including, among others, buildings with an area of 13,106 sq.m.), the net assets of the MCC19 Hospital (十九冶醫院) located in Panzhihua, Sichuan, the PRC (including, among others, buildings with an area of 11,475 sq.m.), and a surgery building with an area of 12,322 sq.m. in the MCC17 Hospital (十七冶醫院) located in Maanshan, Anhui, the PRC.

Based on the financial statements of the Target Assets prepared in accordance with the China Accounting Standards for Business Enterprises, the carrying value of the Target Assets as at 31 May 2019 was RMB111,389,900. Since the Company did not conduct any independent accounting in respect of the Target Assets, there is no relevant information on total profit and net profit of the Target Assets for the two years ended 31 December 2019.

Based on the carrying value of the Target Assets of RMB111,389,900 and its appraised value of RMB175,076,700, the premium of the Transaction of RMB63,686,800 will be recognized as profit of the Company.

V. REASONS FOR AND BENEFITS OF THE TRANSACTION

Through the Transaction, the Group can divest its social obligations and focus more on its main business. Genertec Universal is a leading comprehensive medical service provider in the PRC, with a high degree of marketization, strong financial strength and abundant medical resources. Genertec Universal is in the leading position in the industry in fields such as clinical technology improvement, doctor team training, characteristic specialties and integrated nursing and medical care. The cooperation with Genertec Universal through the Transaction will help the Group maintain and increase the value of its assets.

The Directors (including independent non-executive Directors) are of the view that the Transaction is conducted on normal commercial terms and entered into in the ordinary and usual course of business of the Group, which is fair and reasonable, and is in the interest of the Company and its shareholders as a whole. Mr. Guo Wenqing, Mr. Zhang Zhaoxiang and Mr. Lin Jinzhen, who hold positions in China Minmetals or its subsidiaries, have abstained from voting on the resolution of the Board to approve the Transaction.

VI. LISTING RULES IMPLICATIONS

China Minmetals indirectly holds approximately 49.18% of the total number of issued shares of the Company and is an indirect controlling shareholder of the Company. All of the Minmetals Investors are subsidiaries of China Minmetals, and are therefore all connected persons of the Company. Prior to the Transaction, the Minmetals Investors hold a total of 44% equity interest in Genertec Minmetals. As such, Genertec Minmetals is an associate of China Minmetals and is also a connected person of the Company. Therefore, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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VII. GENERAL INFORMATION

The Company and the MCC Investors

The Group has strong capabilities in metallurgical engineering. It is a large multinational conglomerate operating in various specialized fields across different industries, with engineering contracting, property development, equipment manufacturing and resources development as its principal businesses.

MCC 19 Group is a wholly-owned subsidiary of the Company. Its principal business is metallurgical engineering, constructional engineering and municipal engineering.

MCC 5 Group is a subsidiary of the Company and is held as to 98.58% by the Company. Its principal business is constructional engineering, smelting, and real estate development.

MCC 17 Group is a subsidiary of the Company and is held as to 72.39% by the Company. Its principal business is constructional engineering, metallurgical engineering and municipal engineering.

China Minmetals and the Minmetals Investors

China Minmetals is a wholly state-owned enterprise established in the PRC under the direct control of the State-owned Assets Supervision and Administration Commission of the State Council. It is an integrated enterprise group with metal and mineral business as its core business, trade as its basis, resources as its support, science, industry and trade as a whole, and with upstream and downstream extension.

Minmetals Assets Management is a wholly-owned subsidiary of China Minmetals. Its principal business is assets management, investment management, enterprise management and advisory services.

Minmetals Innovation Investment is a wholly-owned subsidiary of China Minmetals. Its principal business is investment, assets management, investment management and investment advisory services.

Minmetals Real Estate is a wholly-owned subsidiary of China Minmetals. Its principal business is assets management, property management and rental services.

Universal Hospital Investment

Universal Hospital Investment is a wholly-owned subsidiary of Genertec Universal and is its investment platform. Genertec Universal is an integrated healthcare service provider with focuses on the fast-growing healthcare service industry in the PRC, the shares of which are listed on the Stock Exchange (stock code: 2666).

CITIC Capital

The principal activity of CITIC Capital is investment, assets management and advisory services.

VIII. DEFINITIONS

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

“Board” the board of Directors

“Capital Increase Agreement” the Capital Increase Agreement entered into among the MCC Investors, the Minmetals Investors, Universal Hospital Investment, CITIC Capital and Genertec Minmetals

“China Minmetals”	China Minmetals Corporation* (中國五礦集團有限公司), a state wholly-owned enterprise established in the PRC under the direct control of the State-owned Assets Supervision and Administration Commission of the State Council and an indirect controlling shareholder of the Company
“CITIC Capital”	CITIC Capital Equity Investment (Tianjin) Corporation Limited* (中信資本股權投資(天津)股份有限公司), a company with limited liability incorporated under the laws of the PRC
“Company”	Metallurgical Corporation of China Ltd.* (中國冶金科工股份有限公司), a joint stock limited company with limited liability incorporated under the laws of the PRC on 1 December 2008
“connected persons(s)”	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
“Genertec Minmetals”	Genertec Minmetals Hospital Management (Beijing) Company Limited* (通用五礦醫院管理(北京)有限公司), a company with limited liability incorporated under the laws of the PRC and an associate of China Minmetals
“Genertec Universal”	Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司), a company with limited liability incorporated under the laws of Hong Kong, the shares of which are listed on the Stock Exchange (stock code: 2666)
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MCC 5 Group”	China MCC 5 Group Co., Ltd.* (中國五冶集團有限公司), a company with limited liability incorporated under the laws of the PRC and a subsidiary of the Company
“MCC 17 Group”	China MCC 17 Group Co., Ltd.* (中國十七冶集團有限公司), a company with limited liability incorporated under the laws of the PRC and a subsidiary of the Company
“MCC 19 Group”	China MCC 19 Group Co., Ltd.* (中國十九冶集團有限公司), a company with limited liability incorporated under the laws of the PRC and a subsidiary of the Company
“MCC Investors”	including MCC 19 Group, MCC 5 Group and MCC 17 Group
“Minmetals Assets Management”	Minmetals Assets Management Company Limited* (五礦資產經營管理有限公司), a company with limited liability incorporated under the laws of the PRC and a subsidiary of China Minmetals
“Minmetals Innovation Investment”	Minmetals Innovation Investment Company Limited* (五礦創新投資有限公司), a company with limited liability incorporated under the laws of the PRC and a subsidiary of China Minmetals
“Minmetals Real Estate”	Minmetals (Handan) Real Estate Management Company Limited* (五礦(邯鄲)房產管理有限公司), a company with limited liability incorporated under the laws of the PRC and a subsidiary of China Minmetals
“Minmetals Investors”	including Minmetals Assets Management, Minmetals Innovation Investment and Minmetals Real Estate
“PRC”	the People’s Republic of China, and for the sole purpose of this announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Assets”	the assets to be injected by the MCC Investors to Genertec Minmetals as detailed in “IV. Information on the Target Assets” of this announcement
“Transaction”	the capital contribution of RMB175,076,700 in total through injecting the Target Assets and the acquisition of 20.67% equity interest in Genertec Minmetals by the MCC Investors pursuant to the Capital Increase Agreement
“Universal Hospital Investment”	Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd.* (通用環球醫院投資管理(天津)有限公司), a company with limited liability incorporated under the laws of the PRC and a subsidiary of Genertec Universal

By order of the Board
Metallurgical Corporation of China Ltd.*
Zeng Gang
Joint Company Secretary

Beijing, the PRC
2 June 2020

As at the date of this announcement, the board of directors of the Company comprises two executive directors: Mr. Guo Wenqing and Mr. Zhang Zhaoxiang; four independent non-executive directors: Mr. Zhou Jichang, Mr. Yu Hailong, Mr. Ren Xudong and Mr. Ng, Kar Ling Johnny; and one non-executive director: Mr. Lin Jinzhen.

* For identification purpose only