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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF ACCOUNTS RECEIVABLE

The Board hereby announces that, on 2 December 2020, MCC 19 Group, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Shengang Securities, pursuant to which MCC 19 Group agreed to dispose of and Shengang Securities (on behalf of the Special Plan) agreed to acquire the Accounts Receivable with an estimated book value of no more than RMB3,500 million at an estimated consideration of no more than RMB3,360 million. Shengang Securities will, as the custodian, establish the Special Plan, with the Accounts Receivable as the underlying assets. The duration of the Special Plan is expected to be no more than three years.

As one or more of the applicable percentage ratios in respect of the Transaction on a standalone basis and on an aggregate basis with the Previous Transaction are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND INFORMATION

On 2 December 2020, MCC 19 Group, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Shengang Securities, pursuant to which MCC 19 Group agreed to dispose of and Shengang Securities (on behalf of the Special Plan) agreed to acquire the Accounts Receivable with an estimated book value of no more than RMB3,500 million at an estimated consideration of no more than RMB3,360 million. Shengang Securities will, as the custodian, establish the Special Plan, with the Accounts Receivable as the underlying assets. The duration of the Special Plan is expected to be no more than three years.

MAJOR TERMS OF THE SALE AND PURCHASE AGREEMENT

- Date : 2 December 2020
- Parties : MCC 19 Group (as seller);
Shengang Securities (as purchaser)
- Accounts Receivable to be Transferred : Pursuant to the Sale and Purchase Agreement, MCC 19 Group has agreed to transfer the Accounts Receivable to Shengang Securities, which include:
- (i) all titles and related interests (present and future, existing and contingent) of the Accounts Receivable;
 - (ii) all the repayments, due or to become due, attributable to the Accounts Receivable;
 - (iii) the proceeds from recovery, sale or otherwise disposal of the Accounts Receivable;
 - (iv) the rights to request, sue, recover and receive all the payments in relation to the Accounts Receivable (no matter whether such payments are payable by the payment obligors under the underlying contracts); and
 - (v) the interests arising from commitments in relation to the Accounts Receivable and enforcement rights of all the rights and legal remedies arising from the Accounts Receivable.
- Consideration and Payment : The consideration in respect of the sale and purchase of the Accounts Receivable is estimated to be no more than RMB3,360 million, which is calculated by multiplying the book value of the Accounts Receivable by a discount rate which is determined after arms' length negotiations between MCC 19 Group and Shengang Securities with reference to the future recoverability of the Accounts Receivable.
- Shengang Securities shall pay the consideration to MCC 19 Group on the date of establishment of the Special Plan in one lump sum by bank transfer.

- Conditions Precedent : The conditions precedent for the closing of the Transaction mainly include, among others:
- (i) Shengang Securities having received or obtained all the consents, approvals and authorizations necessary for it to perform its obligations under the Sale and Purchase Agreement and other documents relating to the Special Plan;
 - (ii) MCC 19 Group having received or obtained all the approvals, consents and authorizations required for the performance of its obligations under the Sale and Purchase Agreement, including but not limited to copies of the shareholders' resolutions and the board resolutions;
 - (iii) the Special Plan being established in accordance with the terms set out in the Standard Terms;
 - (iv) MCC 19 Group not having breached its representations and warranties set out in the Sale and Purchase Agreement and other documents relating to the Special Plan up to the date of payment of the consideration by Shengang Securities to MCC 19 Group; and
 - (v) Shengang Securities (together with its legal advisers and accountants etc.) having completed the due diligence of the underlying assets in respect of the Special Plan.

PREVIOUS TRANSACTION

Prior to the Transaction, MCC 3 Group (as seller), a wholly-owned subsidiary of the Company, entered into an accounts receivable sale and purchase agreement with Shengang Securities (as purchaser) on 26 December 2019, pursuant to which MCC 3 Group agreed to sell and Shengang Securities (on behalf of the asset-backed special plan under the said agreement, with the accounts receivable of MCC 3 Group as the underlying assets) agreed to acquire the accounts receivable of MCC 3 Group with an estimated book value of no more than RMB2,010 million at an estimated consideration of no more than RMB1,890 million. Shengang Securities will, as the custodian, establish the above special plan, with the accounts receivable of MCC 3 Group as the underlying assets. The duration of the above special plan is no more than three years.

As all applicable percentage ratios in respect of the Previous Transaction are less than 5%, the Previous Transaction on a standalone basis does not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

FINANCIAL IMPACT OF THE TRANSACTION

It is estimated that the Group will recognize a financing cost of not exceeding RMB140 million in respect of the Transaction, which is calculated based on the book value of the Accounts Receivable less the maximum total consideration of the Transaction. The final amount of financing cost of the Transaction shall be determined based on the final transfer size and consideration of the Accounts Receivable to be transferred.

The proceeds from the Transaction will be used to replenish the working capital of MCC 19 Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board believes that the Transaction will help (i) revitalize the Group's assets; (ii) control its risk of accounts receivable; (iii) reduce its amount of accounts receivable so as to optimize its asset structure; and (iv) increase the Group's liquidity and improve its asset efficiency and financial condition, thereby optimizing its financial statements. The Directors consider that the Transaction is entered into on normal commercial terms in the usual and ordinary course of business of the Group, is fair and reasonable, and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the sale and purchase agreement in respect of the Previous Transaction and the Sale and Purchase Agreement are entered into within 12 months, the sellers under the Previous Transaction and the Transaction are wholly-owned subsidiaries of the Company and the purchaser is Shengang Securities, and the nature, structure and terms of the Previous Transaction are similar to those of the Transaction, the Previous Transaction and the Transaction will be calculated on an aggregate basis pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Transaction on a standalone basis and on an aggregate basis with the Previous Transaction are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

The Group has strong construction capabilities in metallurgical engineering. It is a large conglomerate operating in various specialized fields, across different industries and in many countries, 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 and is principally engaged in domestic and overseas large and medium-sized industrial and civil construction projects and integrated services of planning and design, general engineering contracting, equipment manufacturing and operation services.

Shengang Securities, a joint stock company incorporated under the laws of the PRC with limited liability on 8 April 2016, is headquartered in the China (Shanghai) Pilot Free Trade Zone, and has several branches in Beijing, Shanghai, Guangdong, Shenzhen and other regions. Shengang Securities is principally engaged in securities assets management, securities brokerage, securities underwriting and sponsorship, securities investment consulting, financial consulting relating to securities trading and securities investment, entrusted insurance fund management and other businesses.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shengang Securities and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

DEFINITIONS

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

“Accounts Receivable”	the accounts receivable and related interests of MCC 19 Group against the relevant payment obligors under certain construction and trading contracts
“Board”	the board of Directors of the Company
“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“MCC 3 Group”	China MCC 3 Group Co., Ltd.* (中國三冶集團有限公司), a company with limited liability incorporated under the laws of the PRC on 29 May 1984 and a wholly-owned 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 on 1 June 1966 and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China and for the sole purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Transaction”	the transaction under the sale and purchase agreement in relation to certain accounts receivable entered into between MCC 3 Group (as seller) and Shengang Securities (as purchaser) on 26 December 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the Sale and Purchase Agreement for the Underlying Assets under the 2020 Accounts Receivable Asset-backed Special Plan (Second Tranche) of MCC 19 Group entered into between MCC 19 Group and Shengang Securities on 2 December 2020
“Shengang Securities”	Shengang Securities Co., Ltd.* (申港證券股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability on 8 April 2016
“Special Plan”	an asset-backed special plan to be established by Shengang Securities as the custodian, with the Accounts Receivable as the underlying assets
“Standard Terms”	the standard terms in respect of the Accounts Receivable Asset-backed Special Plan of Shengang Securities and MCC 19 Group dated 2 December 2020

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules

“Transaction” the disposal of the Accounts Receivable by MCC 19 Group to Shengang Securities in accordance with the Sale and Purchase Agreement

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

Beijing, the PRC
2 December 2020

As at the date of this announcement, the Board of the Company comprises two executive Directors: Mr. Guo Wenqing and Mr. Zhang Mengxing; 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. Yan Aizhong.

* *For identification purposes only*