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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 26 January 2021, MCC 5 Group, a subsidiary of the Company, entered into the Transfer Agreement with Hwabao Securities, pursuant to which MCC 5 Group agreed to dispose of and Hwabao Securities (on behalf of the Special Plan) agreed to acquire the Accounts Receivable with an estimated book value of no more than RMB6,000 million at an estimated consideration of no more than RMB5,700 million. Hwabao 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 exceed 5% but are 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 26 January 2021, MCC 5 Group, a subsidiary of the Company, entered into the Transfer Agreement with Hwabao Securities, pursuant to which MCC 5 Group agreed to dispose of and Hwabao Securities (on behalf of the Special Plan) agreed to acquire the Accounts Receivable with an estimated book value of no more than RMB6,000 million at an estimated consideration of no more than RMB5,700 million. Hwabao 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 TRANSFER AGREEMENT

- Date : 26 January 2021
- Parties : MCC 5 Group (as seller);
Hwabao Securities (as purchaser)
- Accounts Receivable to be Transferred : Pursuant to the Transfer Agreement, MCC 5 Group has agreed to transfer the Accounts Receivable to Hwabao 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 RMB5,700 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 5 Group and Hwabao Securities with reference to the future recoverability of the Accounts Receivable.
- Hwabao Securities shall pay the consideration to MCC 5 Group on the date of establishment and during the subsistence of the Special Plan by bank transfer.

- Conditions Precedent : The conditions precedent for the closing of the Transaction mainly include, among others:
- (i) Hwabao Securities having received or obtained all the consents, approvals and authorizations necessary for it to perform its obligations under the Transfer Agreement and other documents relating to the Special Plan;
 - (ii) MCC 5 Group having received or obtained all the approvals, consents and authorizations required for the performance of its obligations under the Transfer 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 5 Group not having breached its representations and warranties set out in the Transfer Agreement and other documents relating to the Special Plan up to the date of payment of the consideration by Hwabao Securities to MCC 5 Group; and
 - (v) Hwabao Securities (together with its legal advisers and accountants etc.) having completed the due diligence of the underlying assets in respect of the Special Plan.

FINANCIAL IMPACT OF THE TRANSACTION

It is estimated that the Group will recognize a financing cost of not exceeding RMB300 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 5 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 one or more of the applicable percentage ratios in respect of the Transaction exceed 5% but are 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 5 Group is a subsidiary of the Company and is principally engaged in engineering contracting business.

Hwabao Securities is a limited liability company incorporated under the laws of the PRC on 4 March 2002. Hwabao Securities is principally engaged in securities brokerage, securities investment consulting, securities asset management, securities underwriting and other businesses.

Based on the available public information and to the best of the Directors' knowledge after making reasonable enquiries, as at the date of this announcement, Hwabao Securities was ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hwabao 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 5 Group against the relevant payment obligors under certain construction 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
“Hwabao Securities”	Hwabao Securities Co., Ltd. (華寶證券有限責任公司), a limited liability company incorporated under the laws of the PRC on 4 March 2002
“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 5 Group”	China MCC 5 Group Co., Ltd.* (中國五冶集團有限公司), a limited liability company incorporated under the laws of the PRC on 22 September 1980 and a 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
“RMB”	Renminbi, the lawful currency of the PRC

“Special Plan”	an asset-backed special plan to be established by Hwabao 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 Hwabao Securities and MCC 5 Group dated 26 January 2021
“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 5 Group to Hwabao Securities in accordance with the Transfer Agreement
“Transfer Agreement”	the transfer agreement for the underlying assets under Accounts Receivable Asset-backed Special Plan entered into between MCC 5 Group and Hwabao Securities on 26 January 2021

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

Beijing, the PRC
26 January 2021

As at the date of this announcement, the Board of the Company comprises two executive Directors: Mr. Guo Wenqing and Mr. Zhang Mengxing; three independent non-executive Directors: Mr. Zhou Jichang, Mr. Yu Hailong and Mr. Ng, Kar Ling Johnny; and one non-executive Director: Mr. Yan Aizhong.

* *For identification purposes only*