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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)

ANNOUNCEMENT

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

BACKGROUND INFORMATION

Reference is made to the announcement of the Company dated 28 April 2019 and the circular of the Company dated 11 June 2019 in relation to the Framework Agreement entered into between the Company and China Minmetals on six types of connected transactions conducted between both parties in the ordinary and usual course of business, as well as the announcement of the Company dated 28 August 2020 in relation to the revision of annual cap for material sale and purchase (income) transactions under the Framework Agreement for the year ended 31 December 2020.

In order to expand its business, the Group will expand its trading scale with China Minmetals Group in 2021 and 2022. As a result, the existing annual caps for material sale and purchase (income) transactions and material sale and purchase (expenditure) transactions under the Framework Agreement for the years ending 31 December 2021 and 31 December 2022 could not meet the business needs of the Group. The Company plans to: (i) increase the annual caps for material sale and purchase (income) transactions for the years ending 31 December 2021 and 31 December 2022 from RMB1,228 million and RMB1,391 million to RMB5,322 million and RMB5,510 million, respectively; and (ii) increase the annual caps for material sale and purchase (expenditure) transactions for the years ending 31 December 2021 and 31 December 2022 from RMB15,164 million and RMB17,086 million to RMB16,753 million and RMB19,394 million, respectively. As at the date of this announcement, the cumulative transaction amount of material sale and purchase (income) transactions and material sale and purchase (expenditure) transactions has not exceeded the existing annual cap for the year ending 31 December 2021.

The annual caps for other transaction types under the Framework Agreement for the years ending 31 December 2021 and 31 December 2022 remain unchanged.

LISTING RULES IMPLICATIONS

China Minmetals, an indirect controlling shareholder of the Company, is a connected person of the Company. As such, all transaction types under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios of the revised annual caps for the years ending 31 December 2021 and 31 December 2022 for the material sale and purchase (income and expenditure) transactions under the Listing Rules exceed 5%, these transactions are subject to the requirements of reporting, announcement, annual review and independent Shareholders' approval under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) will be formed to advise the Independent Shareholders on the revised annual caps for material sale and purchase (income and expenditure) transactions under the Framework Agreement.

The Company will appoint the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the revised annual caps for material sale and purchase (income and expenditure) transactions under the Framework Agreement.

CIRCULAR DESPATCH

The Company will seek approval from the Independent Shareholders in respect of the material sale and purchase (income and expenditure) transactions under the Framework Agreement at the forthcoming annual general meeting. A circular containing, among others, details of the revised annual caps for material sale and purchase (income and expenditure) transactions under the Framework Agreement, a letter from the Independent Board Committee and a letter from the independent financial adviser (both containing advice on the revised annual caps) is expected to be despatched by the Company to the Shareholders in accordance with the Listing Rules. The Company will despatch the circular to the Shareholders on or before 28 May 2021 as additional time is required to prepare and finalize certain information for inclusion in the circular. If there is expected to be a delay in the despatch of the circular, a further announcement will be published by the Company in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the circular. In view of China Minmetals' interests in the transactions under the Framework Agreement, CMGC, an associate of China Minmetals, will abstain from voting to approve the material sale and purchase (income and expenditure) transactions under the Framework Agreement at the annual general meeting.

I. BACKGROUND INFORMATION

Reference is made to the announcement of the Company dated 28 April 2019 and the circular of the Company dated 11 June 2019 in relation to the Framework Agreement entered into between the Company and China Minmetals on six types of connected transactions conducted between both parties in the ordinary and usual course of business, as well as the announcement of the Company dated 28 August 2020 in relation to the revision of annual cap of material sale and purchase (income) transactions under the Framework Agreement for the year ended 31 December 2020.

In order to expand its business, the Group will expand its trading scale with China Minmetals Group in 2021 and 2022. As a result, the existing annual caps for material sale and purchase (income) transactions and material sale and purchase (expenditure) transactions under the Framework Agreement for the years ending 31 December 2021 and 31 December 2022 could not meet the business needs of the Group, and an upward adjustment on the annual caps for such transactions for the years ending 31 December 2021 and 31 December 2022 is needed.

II. OVERVIEW OF MATERIAL SALE AND PURCHASE (INCOME) TRANSACTIONS AND MATERIAL SALE AND PURCHASE (EXPENDITURE) TRANSACTIONS

Pursuant to the Framework Agreement entered into between the Company and China Minmetals on 28 April 2019, the Group and China Minmetals Group conduct six types of transactions, including sale and purchase of materials, engineering construction, asset financing services, production and maintenance services, metallurgical and management services and property leasing. The signing of the Framework Agreement will not prejudice the rights of either party to select transaction counterparties or conduct similar transactions with third parties.

Pursuant to the Framework Agreement, the Group will, as a purchaser, purchase steel from China Minmetals Group and will, as a supplier, sell bulk materials (i.e. metal resource products including nickel, zinc and lead) to China Minmetals Group. The Group will also sell to and purchase from China Minmetals Group the equipment necessary for general construction contracting and production operation. The abovementioned material suppliers will also provide relevant logistics services in relation to the materials supplied, including storage, freight forwarding, shipping and land transportation and other services in relation to the connected transactions of material sale and purchase. Transactions of material sale and purchase are further divided into transactions of income and expenditure nature, among which, material sale and purchase (income) transactions mainly involve the Group, as a supplier, selling bulk materials (i.e. metal resource products including nickel, zinc and lead) to China Minmetals Group. The Group

will also supply China Minmetals Group the equipment necessary for general construction contracting and production operation, and will provide relevant logistics services in relation to the materials supplied, including storage, freight forwarding, shipping and land transportation and other services. The material sale and purchase (expenditure) transactions mainly involve the sale of steel by China Minmetals Group, as a supplier, to the Group. China Minmetals Group will also provide the Group with the equipment necessary for general construction contracting and production operation, and will provide relevant logistics services in relation to the materials supply, including storage, freight forwarding, shipping and land transportation and other services.

For further details on the material sale and purchase (income and expenditure) transactions and other types of transactions (including pricing principles and internal control procedures), please refer to the announcements of the Company dated 28 April 2019 and 28 August 2020 and the circular of the Company dated 11 June 2019.

III. HISTORICAL TRANSACTION AMOUNTS AND EXISTING ANNUAL CAPS AND REVISED ANNUAL CAPS FOR 2021 AND 2022

1. Material Sale and Purchase (Income) Transactions

In respect of the material sale and purchase (income) transactions with China Minmetals Group for the years ended 31 December 2018, 2019 and 2020, the amounts paid by China Minmetals Group to the Group were RMB366.59 million, RMB757.56 million and RMB1,638.59 million, respectively. As at the date of this announcement, the cumulative amount of material sale and purchase (income) transactions has not exceeded the existing annual cap for the year ending 31 December 2021. However, due to the reasons and benefits described below, the Company expected that the existing annual caps for the years ending 31 December 2021 and 31 December 2022 could not meet the business needs of the Group. As a result, the Board passed a resolution on 29 March 2021 to amend the relevant annual caps as follows:

Unit: RMB0'000

	Existing annual caps for the year ending 31 December 2021	Revised annual caps for the year ending 31 December 2021	Existing annual caps for the year ending 31 December 2022	Revised annual caps for the year ending 31 December 2022
Material sale and purchase (income) transactions	122,800	532,200	139,100	551,000

2. Material Sale and Purchase (Expenditure) Transactions

In respect of the material sale and purchase (expenditure) transactions with China Minmetals Group for the years ended 31 December 2018, 2019 and 2020, the amounts paid by the Group to China Minmetals Group were RMB6,141.19 million, RMB5,812.73 million and RMB8,737.57 million, respectively. As at the date of this announcement, the cumulative amount of material sale and purchase (expenditure) transactions has not exceeded the existing annual cap for the year ending 31 December 2021. However, due to the reasons and benefits described below, the Company expected that the existing annual caps for the years ending 31 December 2021 and 31 December 2022 could not meet the business needs of the Group. As a result, the Board passed a resolution on 29 March 2021 to amend the relevant annual caps as follows:

Unit: RMB0'000

	Existing annual caps for the year ending 31 December 2021	Revised annual caps for the year ending 31 December 2021	Existing annual caps for the year ending 31 December 2022	Revised annual caps for the year ending 31 December 2022
Material sale and purchase (expenditure) transactions	<u>1,516,400</u>	<u>1,675,300</u>	<u>1,708,600</u>	<u>1,939,400</u>

The annual caps of other transactions types under the Framework Agreement for the years ending 31 December 2021 and 31 December 2022 remain unchanged.

IV. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Since the second half of 2020, the price of products such as nickel, copper, zinc, lead and other resources has fluctuated upwards, which has led to an increase in the amount of connected transactions for the Company to sell the above products. At the same time, due to the favorable development opportunities of the current new energy battery market, as the top research and development and production base of high-nickel ternary precursors in China and the world's largest research and development and production base of high-purity scandium oxide, Ramu New Energy, a related party, has significantly expanded its production capacity since it began operation in 2019, and its purchasing demand for metal resource products from the subsidiaries of the Company has increased significantly. It is expected that the Company's income under material purchase and sale (income) transactions will increase significantly.

Since 2021, the development speed and quality of the Company have continuously climbed to a new level, with a significant increase in contract volume and a sharp increase in the demand for procurement of various materials. China Minmetals, a related party and as a comprehensive service provider in the field of ferrous metal circulation, has a full range of supply chain advantages for steel and other goods in terms of stocking, payment, and channel coverage. Based on the solid foundation of cooperation in the early stage and under the premises of equality and mutual benefit, the cooperation between the subsidiaries of the Company, especially the subsidiaries engaging in construction, and China Minmetals is constantly expanding. It is expected that the Company's expenditure under material purchase and sale (expenditure) transactions will increase.

China Minmetals is a comprehensive conglomerate focusing on metal and mineral products business, and possesses trade-based, resource-backed, industry- and trading-integrated and vertically-extended capabilities. Steel trading is one of the traditional businesses of China Minmetals Group. China Minmetals Group not only possesses an advantageous position in the domestic market, but is also supported with a sound network of international trading channels, which can provide the Group with a stable supply of steel and relevant materials. In addition, China Minmetals Group is able to offer steady and quality sales channels for metal resources and products manufactured by the Company's subsidiaries that engage in resource business. Since China Minmetals Group and the Group possess different capabilities in equipment manufacturing, the mutual supply of equipment can create complementary advantages, hence satisfying the specific needs for engineering construction and production operation. The connected transactions between the Company and China Minmetals are arranged based on the business characteristics and business development needs of the Company, which can make full use of the resources and advantages of China Minmetals Group, realize complementary advantages and rational allocation of resources, hence achieving win-win cooperation. In addition, the arrangements have positive significance to the development of the Company and are beneficial to the interests of Shareholders as a whole.

The Directors are of the view that the transactions under the Framework Agreement are entered into on normal commercial terms during the usual and ordinary course of business of the Group, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and the revised annual caps for the material sale and purchase (income) transactions and the material sale and purchase (expenditure) transactions are fair and reasonable.

Mr. Guo Wenqing, Mr. Zhang Mengxing and Mr. Yan Aizhong hold positions in China Minmetals and/or CMGC, and they had abstained from voting on the resolutions of the Board to approve the revised annual caps for the material sale and purchase (income and expenditure) transactions under the Framework Agreement.

V. 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.

China Minmetals is a wholly state-owned enterprise established in the PRC. It is a comprehensive conglomerate focusing on metal and mineral product business, and possesses trade-based, resource-backed, industry- and trading-integrated and vertically-extended capabilities.

VI. LISTING RULES IMPLICATIONS

China Minmetals, an indirect controlling shareholder of the Company, is a connected person of the Company. As such, all transaction types under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios of the revised annual caps for the years ending 31 December 2021 and 31 December 2022 for the material sale and purchase (income and expenditure) transactions under the Listing Rules exceed 5%, these transactions are subject to the requirements of reporting, announcement, annual review and independent Shareholders' approval under Chapter 14A of the Listing Rules.

VII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) will be formed to advise the Independent Shareholders on the revised annual caps for material sale and purchase (income and expenditure) transactions under the Framework Agreement.

The Company will appoint the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the revised annual caps for material sale and purchase (income and expenditure) transactions under the Framework Agreement.

VIII. DESPATCH OF CIRCULAR

The Company will seek approval from the Independent Shareholders in respect of the materials sale and purchase (income and expenditure) transactions under the Framework Agreement at the forthcoming annual general meeting. A circular containing, among others, details of the revised annual caps for material sale and purchase (income and expenditure) transactions under the Framework Agreement, a letter from the Independent Board Committee and a letter from the independent financial adviser (both containing advice on the revised annual caps) is expected to be despatched by the Company to the Shareholders in accordance with the Listing Rules. The Company will despatch the circular to the Shareholders on or before 28 May 2021 as additional time is required to prepare and finalize certain information for inclusion in the circular. If there is expected to be a delay in the despatch of the circular, a further announcement will be published by the Company in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the circular. In view of China Minmetals' interests in the transactions under the Framework Agreement, CMGC, an associate of China Minmetals, will abstain from voting to approve the material sale and purchase (income and expenditure) transactions under the Framework Agreement at the annual general meeting.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“China Minmetals”	China Minmetals Corporation* (中國五礦集團公司), 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, and an indirect controlling shareholder of the Company
“China Minmetals Group”	China Minmetals and its subsidiaries and associates, including CMGC and its subsidiaries but excluding the Group
“CMGC”	China Metallurgical Group Corporation* (中國冶金科工集團有限公司), a wholly state-owned enterprise established in the PRC, a direct controlling shareholder of the Company and a wholly-owned subsidiary of China Minmetals
“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, and its A shares and H shares are listed on the Shanghai Stock Exchange and the Stock Exchange, respectively

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company, including all executive directors, non-executive directors and independent non-executive directors
“Framework Agreement”	the “Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement” entered into between the Company and China Minmetals on 28 April 2019
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee formed by the Company for the material purchase and sale (expenditure) transactions under the Framework Agreement, including all independent non-executive Directors, namely Mr. Zhou Jichang, Mr. Yu Hailong and Mr. Ng, Kar Ling Johnny
“Independents Shareholders”	the shareholders of the Company other than CMGC
“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
“PRC”	the People’s Republic of China and for the sole purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Ramu New Energy”	MCC Ramu New Energy Technology Company Limited.* (中冶瑞木新能源科技有限公司), a company established in the PRC with limited liability, and a subsidiary of CMGC
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

Beijing, the PRC
29 March 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*