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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  
ACQUISITION OF TARGET ASSETS  
FROM ZHUZHOU SMELTER GROUP**

The Board announced that on 5 July 2020, China First Metallurgical, a subsidiary of the Company, and Zhuzhou Smelter Group entered into the Assets Disposal Contract, pursuant to which China First Metallurgical agreed to acquire the Target Assets at a consideration of RMB205,524,400 from Zhuzhou Smelter Group. Target Assets refer to certain machines and equipment as well as related constructions located at Qingshuitang production area, Shifeng District, Zhuzhou City, Hunan Province, legally owned by Zhuzhou Smelter Group. In addition, China First Metallurgical has secured the Follow-up Buyer for the Target Assets (an independent third party) and a contract has been signed by both parties, under which the Target Assets will be disposed of at a price of RMB215,015,000 after the completion of the Acquisition.

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. China Minmetals indirectly holds approximately 42.96% of the shares of Zhuzhou Smelter Group. As such, Zhuzhou Smelter Group is an associate of China Minmetals and is also a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. In addition, the Company expects that all applicable percentage ratios of the Follow-up Assets Disposal will be less than 5%. Therefore, the Follow-up Assets Disposal will not be subject to the requirements under Chapter 14 of the Listing Rules.

## **I. BACKGROUND**

In 2014, the Qingshuitang area of Shifeng District, Zhuzhou City, Hunan Province, where the Zhuzhou Smelter Group was originally located, was listed as one of the pilot areas for relocation and transformation initiatives of the old urban industrial areas. Zhuzhou Smelter Group has completed the relocation to a new production base in 2018, and the metallurgical facilities at the old base in Qingshuitang has been shut down at the end of 2018. The metallurgical facilities at the old base in Qingshuitang are currently idle and to be dismantled.

Zhuzhou Smelter Group intended to dispose of the above-mentioned idle assets and therefore invited a number of qualified companies including China First Metallurgical for comparison and selection to determine the transfer target and the corresponding price. China First Metallurgical considered that the potential market value of the Target Assets was relatively high, and a Follow-up Buyer who was not invited for the comparison and selection had agreed to purchase the Target Assets from China First Metallurgical. Therefore, China First Metallurgical intended to purchase the Target Assets and dispose of them in a short term to gain profit. To the best of the Company's knowledge, a total of six companies, including China First Metallurgical, submitted documents for comparison and selection.

China First Metallurgical was recently informed of its the winning of the comparison and selection, and entered into the Assets Disposal Contract with Zhuzhou Smelter Group on 5 July 2020 for acquisition of the Target Assets.

## **II. ASSETS DISPOSAL CONTRACT**

The principal transaction terms of the Assets Disposal Contract are as follows:

### **Agreement Date**

5 July 2020

### **Parties**

Transferor: Zhuzhou Smelter Group  
Transferee: China First Metallurgical

### **Target Assets**

According to the Assets Disposal Contract, the Target Assets are certain machines and equipment as well as related constructions located at Qingshuitang production area, Shifeng District, Zhuzhou City, Hunan Province, legally owned by Zhuzhou Smelter Group, mainly including the zinc roasting plant, zinc leaching plant and zinc electrolysis plant, finished zinc products plant, lead metallurgy plant, rare and precious metallurgical plant, power plant, technology center, power automation center, quality inspection center and railway system assets, etc. in the area (subject to the items determined at site visit).

## **Consideration and Payment**

According to the Assets Disposal Contract, China First Metallurgical agreed to acquire the Target Assets at a consideration of RMB205,524,400.

China First Metallurgical shall pay the full amount of the consideration (RMB205,524,400 in total) to Zhuzhou Smelter Group in a lump sum within five business days after the signing of the Assets Disposal Contract and pay a performance security of RMB54,564,000 within the same time limit.

China First Metallurgical will pay the above-mentioned consideration and performance security by its internal resources.

In determining the quote for the Target Assets for comparison and selection, China First Metallurgical comprehensively considered various factors including the base price of the assets disposal offered for comparison and selection, the relatively large number of participants and enthusiasm showed among participants in the comparison and selection, and the transfer price of RMB215,015,000 secured by the Follow-up Buyer, and made the quote for the Target Assets.

## **Transfer and Receiving of the Target Assets**

Zhuzhou Smelter Group shall notify China First Metallurgical after receiving the payment of consideration and performance security. The two parties shall sign a confirmation letter within 5 business days from the date of receiving the payment. Since then, China First Metallurgical shall assume all obligations and responsibilities related to the Target Assets and be entitled to the corresponding rights.

Zhuzhou Smelter Group shall also cooperate with China First Metallurgical to facilitate the construction plan filing procedures required by Zhuzhou Municipal Housing and Urban-Rural Development Bureau, Zhuzhou Administration of Work Safety and other relevant management departments, and issue a construction order to China First Metallurgical based on the filing approval and other relevant documents. China First Metallurgical shall commence to dismantle, load and ship the Target Assets only after receiving the construction order, and shall complete the dismantling, loading and shipping by 31 July 2020. Within 15 business days after both parties confirm that the Target Assets are properly dismantled, loaded and shipped, Zhuzhou Smelter Group shall refund the performance security of the Target Assets to China First Metallurgical without interests counted.

## **III. INFORMATION ON TARGET ASSETS**

The Zhuzhou Smelter Group initially constructed a certain part of the Target Assets in 1956, and subsequently carried out several renovations and expansions to form the existing scale. The total costs arising from the construction of the Target Assets amounted to approximately RMB3,214,800,000. According to the Company's knowledge, considering that the land occupied by the Qingshitang base would be

reclaimed and reserved by the local government pursuant to the relocation of the production base in 2018, the impairment provision had been made for the fixed assets involved in the Qingshuitang base by Zhuzhou Smelter Group in April 2018 based on the prudence principle. According to the financial statements prepared for the Target Assets in accordance with the China Accounting Standards for Business Enterprises, the book value of the Target Assets as of 31 December 2019 was RMB85,474,400.

Given that Zhuzhou Smelter Group does not conduct a separate accounting of the Target Assets, the Target Assets do not have the total profits and net profits data for the two years ended 31 December 2019.

Based on the appraisal for the Target Assets on the benchmark date (i.e. 31 December 2019) by Beijing Zhongqihua Asset Appraisal Co., Ltd. (an independent valuer), mainly using the salvage value calculation method and supplemented by market valuation method, the net assets value of the Target Assets amounted to RMB85,912,300 in total.

#### **IV. REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Company is of the view that the potential market value of the Target Assets is relatively high, and China First Metallurgical has entered into agreements with the Follow-up Buyer to purchase the Target Assets from China First Metallurgical at a price of RMB215,015,000 after the completion of the Acquisition. China First Metallurgical can make profits in a short term by buying and selling, which is expected to generate RMB190,370,800 of operating income (tax exclusive) and RMB8,490,800 of trading profits for China First Metallurgical. The Acquisition is also conducive to China First Metallurgical to accumulate professional experience in dismantling smelting plant and demolition project performance, providing reference for the subsequent undertaking of large number of demolition and reconstruction projects, and strengthening the cooperation between the Group and Zhuzhou Smelter Group, to improve the possibility of undertaking more renovation projects.

In light of the above reasons, the Directors (including the independent non-executive Directors) are of the view that the Acquisition, although not entered into in the ordinary and usual course of business of the Group, is carried out on normal commercial terms, and is fair and reasonable and in the interests 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 Acquisition.

#### **V. 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. China Minmetals indirectly holds a total of 42.96% equity interest

in Zhuzhou Smelter Group. As such, Zhuzhou Smelter Group is an associate of China Minmetals and is also a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Acquisition are 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.

In addition, the Company estimates that all applicable percentage ratios of the Follow-up Assets Disposal will be less than 5%. Therefore, the Follow-up Assets Disposal will not be subject to the requirements under Chapter 14 of the Listing Rules.

## **VI. GENERAL INFORMATION**

### **The Group and China First Metallurgical**

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.

China First Metallurgical is a non-wholly owned subsidiary of the Company, with the Company directly holding approximately 93.07% of its equity. It is principally engaged in businesses including constructional engineering general contracting, general construction contracting and project management; engineering and technological research; smelting, constructional engineering, municipal engineering, highway engineering design and technical services.

### **China Minmetals and Zhuzhou Smelter Group**

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.

Zhuzhou Smelter Group is indirectly held by China Minmetals (through its subsidiaries) as to approximately 42.96% of the shares. Its principal businesses are industrial investments permitted under the PRC laws and regulations; sales of nonferrous metal products, minerals, silver nitrate and its by-products; production and sales of industrial sulfuric acid; research, development, production and sales of new metal materials permitted by policies; design, production and sales of arts and crafts; deals in the import and export of commodities and technologies; sales of accumulators. Its shares are listed on the Shanghai Stock Exchange and the stock code is 600961.

## VII. DEFINITIONS

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

“Acquisition”	Acquisition of the Target Asset by China First Metallurgical from Zhuzhou Smelter Group in accordance with the Assets Disposal Contract
“Assets Disposal Contract”	Internal Cooperation and Assets Disposal Contract on Certain Machines and Equipment as well as Related Constructions in Qingshuitang Production Area of Zhuzhou Smelter Group signed between China First Metallurgical and Zhuzhou Smelter Group on 5 July 2020 as to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“China First Metallurgical”	China First Metallurgical Group Co., Ltd., a limited company incorporated under the laws of the PRC and one of the Company’s subsidiaries
“China Minmetals”	China Minmetals Corporation, 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
“Company”	Metallurgical Corporation of China Ltd., a joint stock limited company incorporated under the laws of the PRC on 1 December 2008
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholders”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Follow-up Buyer”	the independent third-party buyer of the Target Assets from China First Metallurgical after the completion of the Acquisition



“Follow-up Assets Disposal”	the arrangement for the disposal of Target Assets to Follow-up Buyer after the completion of the Acquisition
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 acquired from Zhuzhou Smelter Group by China First Metallurgical in accordance with the Assets Disposal Contract, as illustrated in “II. ASSETS DISPOSAL CONTRACT – Target Assets” and “III. INFORMATION ON TARGET ASSETS” in this announcement
“Zhuzhou Smelter Group”	Zhuzhou Smelter Group Co., Ltd., a joint stock limited company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 600961), a connected person of the Company

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

Beijing, the PRC  
5 July 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