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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)

**SUPPLEMENTAL ANNOUNCEMENT ON
ACQUISITION OF TARGET ASSETS
FROM ZHUZHOU SMELTER GROUP**

Reference is made to the announcement of Metallurgical Corporation of China Ltd.* (the “**Company**”) dated 5 July 2020 (the “**Announcement**”) in relation to the acquisition of the Target Assets by China First Metallurgical from Zhuzhou Smelter Group, and the subsequent disposal of the Target Assets by China First Metallurgical to an independent third-party buyer. Unless otherwise required by the context, the terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Company wishes to provide the following additional information on such transaction:

Basis for determining the bidding price for the Acquisition

In determining the bidding price for the Target Assets, China First Metallurgical has taken the following factors into account:

- (a) According to the bidding requirement of Zhuzhou Smelter Group, the bidding price for the Target Assets should not be lower than RMB100,000,000, and the successful bidder would be determined largely based on the bidding prices offered by the bidders. A total of six bidders (including China First Metallurgical) participated in the bidding process. After winning the bid, China First Metallurgical was informed that its bidding price was only about RMB10,000,000 higher than that of the second bidder.

- (b) As disclosed in the Announcement, China First Metallurgical is required to dismantle the Target Assets and remove the Target Assets from the site. Based on the list of Target Assets and the site visit of China First Metallurgical, the Target Assets, after disassembly, will mainly include scrap steel, net copper, converter, motor, electric cabinet, stainless steel, aluminum and other materials. Therefore, in determining the bidding price for the Target Assets, China First Metallurgical has also made reference to the market price of the above materials. Based on the recent prices of the above materials published on the websites of 長江有色金屬網(<https://www.ccmn.cn>), 我的鋼鐵網(www.mysteel.com) and 廢鋼資訊網(<http://fg.fengj.com>), the prices for recovery of scrap materials provided by a number of large local steel mills (all being independent third parties), and the volume of the materials set out in the list of Target Assets, China First Metallurgical considers that the market price of the Target Assets (after deducting the expenses for dismantling and transporting the Target Assets) amounts to approximately RMB225,000,000.
- (c) China First Metallurgical has further assessed the market price of the Target Assets in the process of selecting the Follow-up Buyer. China First Metallurgical obtained and compared offers from six potential buyers. Quotes from the potential buyers, ranging from RMB190,000,000 to RMB215,015,000, are all higher than the appraised net assets value of the Target Assets, which also demonstrated the potential buyers' recognition of the market value of the Target Assets.
- (d) Before submitting the bid, China First Metallurgical has selected the Follow-up Buyer and entered into a conditional agreement with it for the Follow-up Assets Disposal. Pursuant to such agreement, upon China First Metallurgical winning the bid, the Follow-up Buyer shall acquire the Target Assets from China First Metallurgical at a consideration of RMB215,015,000 and bear the expenses for dismantling and transporting the Target Assets. As at the date of this announcement, China First Metallurgical has received the payment of RMB215,015,000 from the Follow-up Buyer for the Follow-up Assets Disposal.
- (e) Within the price range between the minimum bidding price required by Zhuzhou Smelter Group and the market price of the Target Assets as described above, and taking into account the consideration payable by the Follow-up Buyer for the Follow-up Assets Disposal, China First Metallurgical determined its bidding price of RMB205,524,400. The Company considers that the consideration for the Acquisition is fair and reasonable and in the interests of the Company and its shareholders as a whole.
- (f) Beijing Zhongqihua Asset Appraisal Co., Ltd., the independent valuer, was engaged by Zhuzhou Smelter Group. Its appraisal of the net assets value of the Target Assets was not disclosed to the bidders, and was not a factor considered by China First Metallurgical for determining its bidding price. The appraised net assets value was disclosed in the Announcement purely for the purpose of complying with Rule 14.58(6) of the Listing Rules.

Further information on the Follow-up Assets Disposal and the Follow-up Buyer

- (a) As disclosed in the Announcement, Zhuzhou Smelter Group invited a number of enterprises (including China First Metallurgical) to participate in the bidding process for its disposal of the Target Assets, and China First Metallurgical intended to participate in the bidding process to accumulate professional experience in the demolition of smelting plants and earn profit in a short term through the purchase and sale of the Target Assets. Therefore, before submitting the bid, China First Metallurgical conducted market research on potential buyers. In the process of the market research, the Follow-up Buyer learned that China First Metallurgical, if winning the bid, intended to sell the Target Assets. As the Follow-up Buyer was not a bidder invited by Zhuzhou Smelter Group, it approached China First Metallurgical for the Follow-up Assets Disposal.
- (b) Save for the Follow-up Assets Disposal, the Follow-up Buyer does not have any other past or present relationship (formal or informal, business or otherwise) with the Company or its connected persons. The Company is not aware of any past or present relationship between the Follow-up Buyer and Zhuzhou Smelter Group. The shareholders of the Follow-up Buyers are two Chinese citizens. To the best knowledge of the Company, none of the shareholders of the Follow-up Buyer holds any position in Zhuzhou Smelter Group or owns any equity interest in Zhuzhou Smelter Group.
- (c) Based on the bidding document issued by Zhuzhou Smelter Group and the due diligence conducted by China First Metallurgical, the Target Assets are not subject to any mortgage, pledge and other restrictions on transfer. There are no litigations, arbitrations or judicial measures concerning the Target Assets, such as seizure and freezing, or any other circumstance which would prevent the transfer of ownership of the Target Assets. The Target Assets, after disassembly, will be regarded as scrap materials, and therefore, the Follow-up Assets Disposal will not be subject to the requirements of the State-owned Assets Supervision and Administration Commission of the State Council for the sale of state-owned assets. Furthermore, the Target Assets do not include any flammable and combustible materials or hazardous chemicals, and the Follow-up Assets Disposal will not be subject to any special approval by the fire departments of public security authorities for the disposal of hazardous materials. The Company confirms that the Follow-up Assets Disposal does not contravene any applicable laws and regulations of the PRC.

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

Beijing, the PRC
15 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