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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 CAP OF MATERIAL SALE AND
PURCHASE (INCOME) FOR TRANSACTIONS WITH
CHINA MINMETALS GROUP FOR 2020**

References are 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 transactions conducted between both parties in the ordinary and usual course of business.

In order to expand its business, the Group expanded its trading scale with China Minmetals Group in 2020. As a result, the existing annual caps for material sale and purchase (income) transactions under the Framework Agreement for the year ending 31 December 2020 could not meet the business needs of the Group. The Company plans to increase the annual caps of material sale and purchase (income) transactions for the year ending 31 December 2020 from RMB1,177.0 million to RMB2,677.0 million. As of the date of this announcement, the cumulative transaction amount of material sale and purchase (income) transactions has not exceeded the existing annual cap for 2020.

The annual caps of transactions of other types under the Framework Agreement for the three years ending 31 December 2020, 2021 and 2022, and the annual caps of material sale and purchase (income) transactions for the two years ending 31 December 2021 and 2022 remain unchanged.

LISTING RULES IMPLICATIONS

China Minmetals, the indirect controlling shareholder of the Company, is a connected person of the Company. As such, each type of transactions 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 cap for 2020 for the material sale and purchase (income) transactions under the Listing Rules exceed 0.1% but are less than 5%, transactions of this type are subject to the requirements of reporting, announcement and annual review, but are exempt from the requirements of approval by independent shareholders under Chapter 14A of the Listing Rules.

I. BACKGROUND INFORMATION

References are 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 transactions conducted between both parties in the ordinary and usual course of business.

In order to expand its business, the Group expanded its trading scale with China Minmetals Group in 2020. As a result, the existing annual cap for material sale and purchase (income) transactions under the Framework Agreement for the year ending 31 December 2020 could not meet the business needs of the Group, and an upward adjustment on the annual cap for such transactions for 2020 is needed.

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

Pursuant to the Framework Agreement signed by 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 right of either party to select transaction counterparty or conduct similar transactions with third parties.

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 that the Group, as a supplier, sells bulk materials (i.e. metal resource products including nickel, zinc and lead) to China Minmetals Group. The Group shall also supply China Minmetals Group the equipment necessary for general construction contracting and production and operation, and shall provide relevant logistics services in relation to the materials supplied, including storage, freight forwarding, shipping and land transportation and other services.

For further details about material sale and purchase (income) transactions and other types of transactions with each types (including pricing principles and internal control procedures), please refer to the announcement of the Company dated 28 April 2019 and the circular of the Company dated 11 June 2019.

III. HISTORICAL TRANSACTION AMOUNT OF MATERIAL SALE AND PURCHASE (INCOME), EXISTING AND REVISED ANNUAL CAPS FOR 2020

1. Historical Transaction Amount

For the material sale and purchase (income) transactions with China Minmetals Group for the two years ended 31 December 2018 and 2019 and for the six months ended 30 June 2020, the amounts paid by China Minmetals Group to the Group were RMB366.6 million, RMB757.6 million and RMB839.6 million, respectively. As of the date of this announcement, the cumulative amount of material sale and purchase (income) transactions has not exceeded the existing annual cap for 2020. However, due to the reasons described below, the Company expects that the full-year cumulative transaction amount in 2020 will exceed the existing annual cap of RMB1,177.0 million.

2. Existing Annual Cap and Revised Annual Cap for 2020

The Company plans to increase the annual cap for material sale and purchase (income) transactions from RMB1,177.0 million to RMB2,677.0 million for the year ending 31 December 2020. The revised annual cap is determined based on (1) the transaction amount of the Group for the six months ended 30 June 2020, and (2) the expected number and amount of the transactions by the group companies, including MCC-JJJ and MCC Ramu, with China Minmetals Group in the second half of 2020. In determining the price of the Group's sales of bulk materials to China Minmetals Group, the Group will make reference to the price of relevant bulk raw materials announced by the London Metal Exchange and the SMM (www.smm.cn), and determined on this basis after negotiation with China Minmetals Group, and shall not be lower than the market price.

The annual caps of the transactions of other types under the Framework Agreement for the three years ending 31 December 2020, 2021 and 2022, and the annual caps of material sale and purchase (income) transactions for the two years ending 31 December 2021 and 2022 remain unchanged.

IV. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

In order to implement the national “One Belt One Road” strategy and respond to the trade promotion spirit of the 3rd China-Pacific Island Economic Development and Cooperation Forum, the Group actively develops international cooperation with countries along the route. The MHP products, an nickel hydrometallurgical intermediate product, of the Group’s subsidiary MCC-JJJ and its overseas subsidiary MCC Ramu used to be sold overseas to independent third parties. However, due to the impact of the COVID-19 pandemic in 2020, the sales of MHP products of MCC-JJJ and MCC Ramu have been greatly affected, and there is an urgent need to expand the product market. China Minmetals Group is able to offer steady and quality sales channels for metal resources and products manufactured by subsidiaries of the Company that are engaged in resource business. In particular, as a major international trade platform, CMN, a subsidiary of China Minmetals, has advantages in import and export of non-ferrous metals, and is able to undertake one-off bulk purchases and reduce transportation costs. In order to increase the sales of MHP products, MCC-JJJ and MCC Ramu and CMN began to conduct transactions in 2020, and the scale of the trade continued to expand, which in turn increased the transaction amount of material sale and purchase (income) transactions, resulting in that the existing annual cap for material sale and purchase (income) transactions under the Framework Agreement for the year ending 31 December 2020 could not meet the business needs of the Group.

The Directors (including independent non-executive 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 its shareholders as a whole, and the revised annual cap for material sale and purchase (income) transactions are fair and reasonable.

Mr. Guo Wenqing, Mr. Zhang Zhaoxiang and Mr. Lin Jinzhen hold positions in China Minmetals and/or CMGC, and they had abstained from voting on the resolution of the Board to approve the revised annual cap for material sale and purchase (income) transactions under the Framework Agreement.

V. LISTING RULES IMPLICATIONS

China Minmetals, the indirect controlling shareholder of the Company, is a connected person of the Company. As such, each type of transactions 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 cap for 2020 for the material sale and purchase (income) transactions under the Listing Rules exceed 0.1% but are less than 5%, transactions of this type are subject to the requirements of reporting, announcement and annual review, but are exempt from the requirements of approval by independent shareholders under Chapter 14A of the Listing Rules.

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

VII. 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 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 the 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 state wholly-owned enterprise established in the PRC, the 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 Hong Kong Stock Exchange, respectively
“connected person(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 director(s) of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MCC-JJJ”	MCC-JJJ Mining Development Company Limited* (中冶金吉礦業開發有限公司), a company established in China with limited liability, a subsidiary of the Company

“MCC Ramu”	MCC Ramu NiCo Limited (中冶瑞木鎳鈷有限公司), a company established in Papua New Guinea with limited liability, and a subsidiary of the Company
“CMN”	China Minmetals Non-Ferrous Metals Company Limited.* (五礦有色金屬股份有限公司), a company established in China with limited liability, and a subsidiary of China Minmetals
“PRC”	the People’s Republic of China and for the sole purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

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

Beijing, the PRC
28 August 2020

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