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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 DONGXING COMPANY**

The Board announced that on 30 August 2021, the Board approved China First Metallurgical, a subsidiary of the Company and Dongxing Company to enter into the Assets Transfer Contract. Pursuant to the proposed Assets Transfer Contract, China First Metallurgical shall agree to acquire the Target Assets at a consideration of RMB83,247,900 from Dongxing Company. Target Assets comprised of two land parcels and properties on the land located in the core area of the third ring road of Qingshan District, Wuhan City.

China Minmetals indirectly holds approximately 49.18% of the total issued shares of the Company and is an indirect controlling shareholder of the Company. China Minmetals indirectly holds all of the equity interest of Dongxing Company. As such, Dongxing Company 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 is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. BACKGROUND

On 30 August 2021, the Board approved China First Metallurgical, a subsidiary of the Company and Dongxing Company to enter into the Assets Transfer Contract. Pursuant to the proposed Assets Transfer Contract, China First Metallurgical shall agree to acquire the Target Assets at a consideration of RMB83,247,900 from Dongxing Company. Target Assets comprised of two land parcels and properties on the land located in the core area of the third ring road of Qingshan District, Wuhan City.

II. ASSETS TRANSFER CONTRACT

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

Parties

Transferor: Dongxing Company
Transferee: China First Metallurgical

Target Assets

According to the Assets Transfer Contract, the Target Assets comprised of two land parcels and properties on the land located in the core area of the third ring road of Qingshan District, Wuhan City, with a site area of 101,022.61 sq.m., which is an industrial land. The properties on the land mainly comprised of warehouses, workshops, plants and office buildings, with a gross floor area of 13,096.97 sq.m..

Consideration and Payment

According to the Assets Transfer Contract, China First Metallurgical shall agree to acquire the Target Assets at a consideration of RMB83,247,900 from Dongxing Company.

As of the date of this announcement, China First Metallurgical provides management services to the Target Assets, and Dongxing Company shall pay RMB47.52 million to China First Metallurgical for the management services and other expenses incurred by China First Metallurgical during the course of the management process. In addition, China First Metallurgical and Dongxing Company is agreeable to deduct the fees payable by Dongxing Company to China First Metallurgical from the consideration. China First Metallurgical shall pay all the consideration (a total of RMB26.91 million) in a lump sum after deducting the management service fees within 10 working days from the date of signing the Assets Transfer Contract.

China First Metallurgical will use its internal resources to pay the above-mentioned consideration.

Transfer of the Target Assets

As at the date of this announcement, Dongxing Company is the beneficial owner of the Target Assets. Since 2008, China First Metallurgical has been holding and managing the Target Assets on behalf of Dongxing Company. Accordingly, the transfer of the Target Assets shall be deemed to be finally completed upon Dongxing Company in receipt of all the consideration under the Assets Transfer Contract.

III. INFORMATION OF THE TARGET ASSETS

The Target Assets comprised of two land parcels and properties on the land in the core area of the third ring road of Qingshan District, Wuhan City, with a site area of 101,022.61 sq.m., which is an industrial land. The properties on the land mainly comprised of warehouses, workshops, plants and office buildings, with a gross floor area of 13,096.97 sq.m.. As of the date of this announcement, the title of the Target Assets is clear. The Target Assets are not mortgaged, pledged or subject to other condition which would impose limitation on their transfer. The assets are not involved in legal procedures such as lawsuit, arbitration, seizure and freezing as well as other situations which would obstruct the transfer of their titles.

According to the financial statements prepared for the Target Assets in accordance with the China Accounting Standards for Business Enterprises, the net book value of the Target Assets as of 31 December 2021 was RMB15,030,000.

As Dongxing Company did not conduct a separate accounting for the Target Assets, the Target Assets did not record the total profits and net profits data for the two years ended 31 December 2021.

Based on the appraisal for the Target Assets on the benchmark date (i.e. 30 September 2020) by Beijing Guorong Xinghua Asset Appraisal Company Limited (北京國融興華資產評估有限責任公司), the appraised value of the land amounted to RMB76,777,200 and the appraised value of the properties amounted to RMB6,470,700, totaling RMB83,247,900. For the land use rights, the valuation methods of the market approach and the base land premium coefficient correction method were adopted in the valuation report. For the properties, the valuation method of the replacement cost method was adopted in the valuation report.

IV. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Assets are located in the renovation area of Qingshan District in Wuhan. As a central state-owned enterprise stationed in the district, China First Metallurgical can give full play to its comprehensive advantages in real estate development and engineering construction, and participate in urban renewal work with the Target Assets as carriers, which is beneficial to in-depth and effective cooperation between China First Metallurgical and the local government. Upon completion of the Acquisition, China First Metallurgical will merge another allocated industrial land parcel owned by Wuhan First Metallurgical Construction and Installation Engineering Co., Ltd., a subsidiary of the Company, and strategically cooperate with the local government to participate in urban renewal as well as construction and development of renovation in Qingshan District.

There are certain old plants and auto parts shops on the land of the Target Assets, a large portion in the area is empty and in a state of inefficient utilization as a whole. The Acquisition will enable China First Metallurgical to use the Target Assets to leverage to strive for more business opportunities, and may change the current status of inefficient use of assets.

In light of the above-mentioned reasons, the Directors (including the independent non-executive Directors) are of the view that the Acquisition, although not to be entered into in the ordinary and usual course of business of the Group, is expected to be 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 Mengxing and Mr. Yan Aizhong, 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 all of the equity interest of Dongxing Company. As such, Dongxing Company 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 is exempted from the independent shareholders' approval requirement under Chapter 14A 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, of which the Company directly holds approximately 98.26% 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 Dongxing Company

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.

Dongxing Company is an indirect wholly-owned subsidiary of China Minmetals. Its principal businesses is technology development, technology transfer, technical consulting and technical services of metallurgical equipment; it operates the technology researched and developed by as well as the export business of scientific and technological products manufactured by Beijing Institute of Metallurgical Equipment of the Ministry of Metallurgical Industry and direct affiliated enterprises of the institute; it operates the import business of technology, raw and auxiliary materials, mechanical equipment, instrumentation and spare parts required for scientific research and production of the institute and its affiliated enterprises; it undertakes the operation of foreign joint ventures, cooperative production and “three to one supplement” business of the institute and its affiliated enterprises; it accepts commission to provide labor services; asset management; investment management; lease of office space; hotel management; property management.

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 Dongxing Company in accordance with the Assets Transfer Contract
“Assets Transfer Contract”	The Assets Transfer Contract in respect of the Acquisition to be signed by China First Metallurgical and Dongxing Company
“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
“Dongxing Company”	Beijing Dongxing Metallurgical New-Tech & Development Corp. (北京東星冶金新技術開發公司), a limited company incorporated under the laws of the PRC
“Group”	the Company and its subsidiaries

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 proposed to be acquired by China First Metallurgical from Dongxing Company under the Assets Transfer Contract, details of which are disclosed in “II. Asset Transfer Contract – Target Assets” and “III. Information of the Target Assets”

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

Beijing, the PRC
30 August 2021

As at the date of this announcement, the board of directors of the Company comprises two executive directors: Mr. Guo Wenqing and Mr. Zhang Mengxing; four 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 purpose only