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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

**(1) CONTINUING CONNECTED TRANSACTIONS –
REVISION OF ANNUAL CAPS FOR 2022 FOR TRANSACTIONS
UNDER THE FRAMEWORK AGREEMENT;**

**(2) CONTINUING CONNECTED TRANSACTIONS AND
TRANSACTIONS – ENTERING INTO OF THE FINANCIAL
SERVICES AGREEMENT WITH MINMETALS FINANCE
COMPANY;**

AND

**(3) CONTINUING CONNECTED TRANSACTIONS AND
TRANSACTIONS – ENTERING INTO OF THE NEW FRAMEWORK
AGREEMENT WITH CHINA MINMETALS**

I. BACKGROUND

**REVISION OF ANNUAL CAPS FOR TRANSACTIONS UNDER THE
FRAMEWORK AGREEMENT**

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 connected transactions carried out between both parties in the ordinary and usual course of business, as well as the announcement of the Company dated 29 March 2021 in relation to the revision of annual caps for material sale and purchase (income and expenditure) transactions under the Framework Agreement for the years ended 31 December 2021 and ending 31 December 2022.

In order to expand its business, the Group will expand its trading scale with China Minmetals Group in 2022. As a result, the annual caps for transactions under the Framework Agreement for the year ending 31 December 2022 could not meet the business needs of the Group. Therefore, the Company plans to increase the annual caps for material sale and purchase (income), material sale and purchase (expenditure), metallurgical and management (expenditure) and property leasing (expenditure) transactions for the year ending 31 December 2022.

As of the date of this announcement, the cumulative transaction amount of connected transactions under the Framework Agreement has not exceeded the existing annual cap for the year ending 31 December 2022.

Except for the transaction types announced to revise in this announcement, the annual caps for other transaction types under the Framework Agreement for the year ending 31 December 2022 remain unchanged.

ENTERING INTO OF THE FINANCIAL SERVICES AGREEMENT WITH MINMETALS FINANCE COMPANY

On 29 March 2022, the Board approved the Company to enter into the Financial Services Agreement with Minmetals Finance Company, a subsidiary of China Minmetals, pursuant to which Minmetals Finance Company will provide deposit services, credit extension services and other financial services to the Group for a term from the signing date of the Financial Services Agreement to 31 December 2024.

ENTERING INTO OF THE NEW FRAMEWORK AGREEMENT WITH CHINA MINMETALS

As the annual cap for each type of the transactions under the Framework Agreement will be expired on 31 December 2022, on 29 March 2022, the Board approved the Company to enter into the New Framework Agreement with China Minmetals, so as to continue to carry out various types of transactions with China Minmetals Group. The New Framework Agreement will be valid for a term of three years from 1 January 2023, subject to the approval by the Independent Shareholders at the annual general meeting.

II. LISTING RULES IMPLICATIONS

REVISION OF ANNUAL CAPS FOR TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT

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 one or more of the applicable percentage ratios of the revised annual caps for the material sale and purchase (income and expenditure) transactions under the Listing Rules exceed 5% but are lower than 25%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the revised annual cap for the property leasing (expenditure) transactions under the Listing Rules exceed 0.1% but are lower than 5%, such transactions are subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios of the revised annual cap for the metallurgical and management (expenditure) transactions under the Listing Rules are lower than 0.1%, such transactions are exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

ENTERING INTO OF THE FINANCIAL SERVICES AGREEMENT WITH MINMETALS FINANCE COMPANY

Minmetals Finance Company, a subsidiary of China Minmetals, is a connected person of the Company. As such, the transactions under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

With respect to the deposit services under the Financial Services Agreement, as one or more of the applicable percentage ratios of the maximum daily balance of deposits (including accrued interest) exceed 5% but are lower than 25%, the transactions of relevant deposit services under the Financial Services Agreement are therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions of relevant deposit services under the Financial Services Agreement also constitute disclosable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

With respect to the credit extension services under the Financial Services Agreement, the credit extension services provided by Minmetals Finance Company to the Group will constitute financial assistance received by the Group from the connected person. As these credit extension services are conducted on normal commercial terms where no charge over the assets of the Group is provided, the transactions in relation to the credit extension services are therefore fully exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

With respect to other financial services under the Financial Services Agreement, as all the applicable percentage ratios of the service fees (calculated on an annualized basis) payable by the Group to Minmetals Finance Company for such services are lower than 0.1%, such transactions are therefore exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

ENTERING INTO OF THE NEW FRAMEWORK AGREEMENT WITH CHINA MINMETALS

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

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the transactions of sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement exceed 5% but are lower than 25%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the transactions of engineering construction (expenditure), metallurgical and management services (income), property leasing (expenditure), factoring services, finance lease services and bond underwriting services under the New Framework Agreement exceed 0.1% but are lower than 5%, such transactions are subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios under the Listing Rules in respect of the annual caps for the transactions of metallurgical and management services (expenditure) under the New Framework Agreement are lower than 0.1%, such transactions are exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

III. 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 matters in this announcement.

The Company will appoint Gram Capital Limited (a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity (under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) as the independent financial adviser which shall advise the Independent Board Committee and the Independent Shareholders in relation to the annual caps that shall be submitted to the general meeting for consideration as set out in this announcement.

IV. DESPATCH OF CIRCULAR

The Company will seek approval from the Independent Shareholders in respect of the matters in this announcement at the forthcoming annual general meeting. A circular containing, among others, details of the matters in this announcement, a letter from the Independent Board Committee and a letter from the independent financial adviser (both containing advice on the matters in this announcement) is expected to be despatched to the Shareholders in accordance with the Listing Rules. The Company will despatch the circular to the Shareholders on or before 25 May 2022 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 matters in this announcement, CMGC, an associate of China Minmetals, will abstain from voting to approve the matters in this announcement at the annual general meeting.

I. REVISION OF ANNUAL CAPS FOR TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT

BACKGROUND

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 connected transactions carried out between both parties in the ordinary and usual course of business, as well as the announcement of the Company dated 29 March 2021 in relation to the revision of annual caps for material sale and purchase (income and expenditure) transactions under the Framework Agreement for the years ended 31 December 2021 and ending 31 December 2022.

In order to expand its business, the Group will expand its trading scale with China Minmetals Group in 2022. As a result, the annual caps for transactions under the Framework Agreement for the year ending 31 December 2022 could not meet the business needs of the Group. Therefore, the Company plans to increase the annual caps for material sale and purchase (income), material sale and purchase (expenditure), metallurgical and management (expenditure) and property leasing (expenditure) transactions for the year ending 31 December 2022.

As of the date of this announcement, the cumulative transaction amount of connected transactions under the Framework Agreement has not exceeded the existing annual cap for the year ending 31 December 2022.

Except for the transaction types announced to revise in this announcement, the annual caps for other transaction types under the Framework Agreement for the year ending 31 December 2022 remain unchanged.

OVERVIEW OF ANNUAL CAPS FOR TRANSACTION TYPES

Pursuant to the Framework Agreement entered into between the Company and China Minmetals on 28 April 2019, the Group and China Minmetals Group carried out 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 choose transaction counterparties or conduct similar transactions with third parties.

(1) Material sale and purchase (income and expenditure) transactions

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.

(2) Metallurgical and management services (expenditure) transactions

Metallurgical and management services (expenditure) transactions mainly involve the financial advisory services provided by China Minmetals Group, as a service provider, in relation to the bonds issued by the Company.

(3) Property leasing (expenditure) transactions

Property leasing (expenditure) transactions mainly involve the leasing of properties and lands from China Minmetals Group by the Company as a leasee. The Company currently expects that the leased properties under the Framework Agreement are mainly certain units of MCC Tower (located at 28 Shuguangxili, Chaoyang District, Beijing, the PRC), which are used as offices of the Company.

For further details on 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.

HISTORICAL TRANSACTION AMOUNTS AND EXISTING ANNUAL CAPS AND REVISED ANNUAL CAPS FOR 2022

(1) Material sale and purchase (income and expenditure) transactions

In respect of the material sale and purchase (income) transactions with China Minmetals Group for the two years ended 31 December 2020 and 2021, the amounts paid by China Minmetals Group to the Group were RMB1,638.59 million and RMB2,731.84 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 2022. However, due to the reasons and benefits disclosed below, the Company expected that the existing annual cap for the year ending 31 December 2022 could not meet the business needs of the Group. As a result, the Board passed a resolution on 29 March 2022 to revise the relevant annual caps as follows:

Unit: RMB0'000

	Existing annual cap for the year ending 31 December 2022	Revised annual cap for the year ending 31 December 2022
Material sale and purchase (income) transactions	<u>551,000</u>	<u>810,453</u>

In respect of the material sale and purchase (expenditure) transactions with China Minmetals Group for the two years ended 31 December 2020 and 2021, the amounts paid by the Group to China Minmetals Group were RMB8,737.57 million and RMB12,721.30 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 2022. However, due to the reasons and benefits disclosed below, the Company expected that the existing annual cap for the year ending 31 December 2022 could not meet the business needs of the Group. As a result, the Board passed a resolution on 29 March 2022 to revise the relevant annual caps as follows:

Unit: RMB0'000

	Existing annual cap for the year ending 31 December 2022	Revised annual cap for the year ending 31 December 2022
Material sale and purchase (expenditure) transactions	<u>1,939,400</u>	<u>2,434,029</u>

(2) *Metallurgical and management services (expenditure) transactions*

In respect of the metallurgical and management services (expenditure) transactions with China Minmetals Group for the two years ended 31 December 2020 and 2021, the amounts paid by the Group to China Minmetals Group were RMB4.84 million and RMB17.73 million, respectively. As of the date of this announcement, the cumulative amount of metallurgical and management services (expenditure) transactions has not exceeded the existing annual cap for the year ending 31 December 2022. However, due to the reasons and benefits disclosed below, the Company expected that the existing annual cap for the year ending 31 December 2022 could not meet the business needs of the Group. As a result, the Board passed a resolution on 29 March 2022 to revise the relevant annual caps as follows:

Unit: RMB0'000

	Existing annual cap for the year ending 31 December 2022	Revised annual cap for the year ending 31 December 2022
Metallurgical and management services (expenditure) transactions	<u>4,500</u>	<u>4,758</u>

(3) Property leasing (expenditure) transactions

In respect of the property leasing (expenditure) transactions with China Minmetals Group for the two years ended 31 December 2020 and 2021, the amounts paid by the Group to China Minmetals Group were RMB66.18 million and RMB68.53 million, respectively. As at the date of this announcement, the cumulative amount of property leasing (expenditure) transactions has not exceeded the existing annual cap for the year ending 31 December 2022. However, due to the reasons and benefits described below, the Company expected that the existing annual cap for the year ending 31 December 2022 could not meet the business needs of the Group. As a result, the Board passed a resolution on 29 March 2022 to revise the relevant annual caps as follows:

Unit: RMB0'000

	Existing annual cap for the year ending 31 December 2022	Revised annual cap for the year ending 31 December 2022
Property leasing (expenditure) transactions	<u>8,200</u>	<u>11,083</u>

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

REASONS FOR AND BENEFITS OF REGARDING THE REVISION OF ANNUAL CAPS

With the significant increase in the Company's new projects and the expansion of its operating scale, China Minmetals Group's regional and price competitiveness is highlighted in certain business sectors, and some subsidiaries expect that the scale for connected transactions with China Minmetals Group will continue to expand, so it is expected that the transaction amount of connected transactions for 2022 may exceed the existing limit.

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 properties leasing arrangement will enable the Company to secure a long-term lease at a relatively stable rental price, and to maintain the stable use of the Company's office premises and avoid the potential risks arising from directly owning the premises.

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 transaction types are fair and reasonable.

Mr. Chen Jianguang, 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 in relation to the revised annual caps for the transactions under the Framework Agreement.

II. ENTERING INTO OF THE FINANCIAL SERVICES AGREEMENT WITH MINMETALS FINANCE COMPANY

BACKGROUND

On 29 March 2022, the Board approved the Company to enter into the Financial Services Agreement with Minmetals Finance Company, a subsidiary of China Minmetals, pursuant to which Minmetals Finance Company will provide deposit services, credit extension services and other financial services to the Group for a term from the signing date of the Financial Services Agreement to 31 December 2024.

FINANCIAL SERVICES AGREEMENT

The main terms of the Financial Services Agreement are summarized as follows:

Parties:

- (1) The Company; and
- (2) Minmetals Finance Company

Transaction types:

Pursuant to the terms and conditions of the Financial Services Agreement, Minmetals Finance Company agreed to provide the following services to the Group:

- (1) Deposit services: Minmetals Finance Company will provide deposit services to the Group;
- (2) Credit extension services: Minmetals Finance Company will provide credit extension services to the Group, including but not limited to, the handling of loans and finance lease applications, bills acceptance and discounting, the provision of guarantees and the applications for letters of guarantee; and
- (3) Other financial services: Minmetals Finance Company will provide other financial services to the Group, including but not limited to the provision of financial and financing advisory, credit appraisal and related advisory and agency services; provision of insurance agency services; provision of entrusted loans and entrusted investment services; assistance in the receipt and payment of transaction proceeds; provision of internal funds transfer and settlement services; underwriting of corporate bonds; and other services permitted under financial licenses.

Term:

The Financial Services Agreement will be valid from the date of the approval by the Independent Shareholders at the annual general meeting to 31 December 2024. The Financial Services Agreement can be extended or renewable for a term of three years if there is no disagreement from both parties, subject to compliance with all applicable laws and regulations and all applicable requirements under the Listing Rules.

Pricing policies:

- (1) Deposit services: The interest rate on the deposit services provided by Minmetals Finance Company to the Group shall not be lower than the benchmark deposits interest rate on deposits of the same type with the same maturity published by the PBOC and the interest rate on deposits provided by Minmetals Finance Company to other member units of China Minmetals under the same conditions, and shall be determined on normal commercial terms.
- (2) Credit extension services: The interest rate on the loans provided by Minmetals Finance Company to the Group shall be determined in accordance with the Loan Prime Rate (LPR) published by the PBOC, shall not be higher than the interest rate on the loans of the same type provided by Minmetals Finance Company to other member units of China Minmetals, and shall be determined on normal commercial terms.
- (3) Other financial services: The service fees for other financial services provided by Minmetals Finance Company to the Group shall not be higher than those charged by major domestic commercial banks for services of the same type provided to the Group, and shall be determined on normal commercial terms.

ANNUAL CAPS AND BASIS OF DETERMINATION:

Unit: RMB0'000

	Proposed annual caps		
	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
Maximum daily balance of composite credit facilities granted to the Group by Minmetals Finance Company ^(Note 1,2)	3,000,000	3,000,000	3,000,000
Daily balance of the Group's deposits with Minmetals Finance Company ^(Note 3)	1,200,000	1,200,000	1,200,000
Financial services provided by Minmetals Finance Company to the Group ^(Note 4)	<u>5,000</u>	<u>6,000</u>	<u>7,000</u>

- Notes:*
- (1) Including but not limited to loans, acceptance and discounting of bills, guarantees, letters of guarantee, opening of letters of credit, etc., including accrued interests incurred.
 - (2) Pursuant to Rule 14A.90 of the Listing Rules, credit extension services are exempt from the reporting, announcement, annual review and independent shareholder' approval requirements as the credit extension services constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance.
 - (3) Including accrued interests incurred.
 - (4) Including but not limited to the total amount of agency fees, handling fees, advisory fees or other service fees charged for the provision of advisory services, clearing services, internet banking services, investment services, letters of credit, entrusted loans, guarantees, services in relation to the acceptance of bills and letters of guarantee, etc.

The proposed annual caps for service fees on the provision of deposit services were determined with reference to the financial risk control procedures of the selected deposit service provider and the cash flow of the Group taking into account the future business development plan of the Group and its demand in financial control during the term of the Financial Services Agreement.

The proposed annual caps for service fees on the provision of credit extension services were determined after arm's length negotiations with reference to fees charged by other financial institutions in the PRC for the provision of similar services taking into account the future business needs of the Group in relation to credit extension services.

The proposed annual caps for service fees on the provision of other financial services were determined after arm's length negotiations with reference to fees charged by other financial institutions in the PRC for the provision of similar services taking into account the future business needs of the Group in relation to other financial services.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES AGREEMENT

The main reasons for the Company to choose Minmetals Finance Company to provide relevant financial services are as follows:

- (1) Minmetals Finance Company is a non-banking financial institution recognized by the China Banking Regulatory Commission to provide financial services for member units of enterprises and can provide relevant financial services to the Company, which is conducive to optimising the Company's financial management and improving the efficiency of capital utilisation, thereby reducing financing costs.
- (2) The provision of deposits and other financial services by Minmetals Finance Company to the Group facilitates the settlement of the Group with China Minmetals Group and shortens the time required for funds transfers. Minmetals Finance Company can reduce the Group's cost of funds by, among others, increasing the efficiency of internal settlement. In addition, by placing funds with Minmetals Finance Company, the Group can have ready, timely and unrestricted access to funds to meet its flexible funding requirements. At the same time, the Group is entitled to choose to withdraw its deposits from Minmetals Finance Company in full or in part from time to time. The Group has full discretion to place its deposits with Minmetals Finance Company or with independent commercial banks without any restrictions.
- (3) With the integration of China Minmetals into CMGC through strategic reorganisation, Minmetals Finance Company has an in-depth understanding of the construction industry and is able to make good use of the Group's development strategy to better anticipate the Group's capital requirements and gain an in-depth knowledge of the Group's operation and management. Therefore, Minmetals Finance Company can provide the Group with financial services that are flexible, convenient and low-cost.

- (4) The interest rates on deposits offered by Minmetals Finance Company to the Group were no less than those on the deposits of the same type with the same maturity offered by major commercial banks, the loans rates were not higher than those on the loans of the same type with the same maturity offered by major commercial banks, and fees on other financial services were no more than those on services of the same type charged by major commercial banks.

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES RELATED TO THE FINANCIAL SERVICES AGREEMENT

- (1) The Company will designate a dedicated department to co-ordinate and manage the business of the Group operated within Minmetals Finance Company, monitor relevant business information on a regular basis and monitor market price levels on a real-time basis, thereby ensuring that the transaction amount of the Group's related business in Minmetals Finance Company does not exceed the caps and that the pricing principles on connected transactions are strictly enforced.
- (2) Minmetals Finance Company will assist in monitoring the implementation of the financial services of the Group to ensure that the relevant amounts do not exceed the annual caps for connected transactions. If the fees for services provided by Minmetals Finance Company reach the then annual cap, the Group will suspend such services with Minmetals Finance Company for the remainder of the year unless otherwise approved by the Company's Board or at the general meeting, as applicable.
- (3) The Group is entitled to inspect whether Minmetals Finance Company has a valid Financial Permit and a valid Business Licence prior to entering into connected transactions with Minmetals Finance Company, and if the relevant licences are not available or have expired, the Group shall not conduct the corresponding business with Minmetals Finance Company.
- (4) The Group has ready, timely and unrestricted access to funds to meet its flexible funding requirements. The Group may withdraw its deposits from Minmetals Finance Company in full or in part from time to time to examine and ensure the safety and liquidity of relevant deposits.
- (5) The Company will review the operating and financial conditions of Minmetals Finance Company on a regular basis. If there is any event that may pose potential safety risks to the funds of the Group deposited with Minmetals Finance Company, the head of finance of the Company will urge the relevant departments and member units of the Company to take timely measures against those risks such as full or partial withdrawal of deposits from Minmetals Finance Company, suspension of deposits with Minmetals Finance Company and requests to Minmetals Finance Company

for rectification within a certain period of time. These measures can ensure the safety of the deposits of the Group with Minmetals Finance Company. In the event of default where the deposits with Minmetals Finance Company cannot be withdrawn, the Group reserves the right to use the loans provided by Minmetals Finance Company to offset the deposits that are unable to be withdrawn.

- (6) Minmetals Finance Company guarantees that it will keep the Group informed in a timely manner of any circumstances that may compromise the safety of the deposits the Group or any other events that may pose safety risks to the funds of the Group on deposit.
- (7) During the annual audit for the Company, the external auditor will, upon review, issue an opinion on the connected transactions of the Group and Minmetals Finance Company, and the Company will fulfill its disclosure obligations in a timely manner as required by the listing rules of the place where it is listed. Minmetals Finance Company shall cooperate as necessary.

The above internal control and risk management measures are designed to minimise the potential financial risks against the Company and safeguard the interests of the Group and the Shareholders. The Directors of the Company consider that the above internal control and risk management measures are reasonably effective in all material respects to assist the Company in monitoring the related transactions.

The Directors consider that the transactions under the Financial Services 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 that the annual caps for the transactions under the Financial Services Agreement are fair and reasonable.

Mr. Chen Jianguang, Mr. Zhang Mengxing and Mr. Yan Aizhong hold positions in China Minmetals and/or CMGC, and they had abstained from voting on the resolution of the Board to approve the transactions under the Financial Services Agreement.

III. ENTERING INTO OF THE NEW FRAMEWORK AGREEMENT WITH CHINA MINMETALS

Background

As the annual cap for each type of the transactions under the Framework Agreement will expire on 31 December 2022, on 29 March 2022, the Board approved the Company to enter into the New Framework Agreement with China Minmetals, so as to continue to conduct various types of transactions with China Minmetals Group. The New Framework Agreement will be valid for a term of three years from 1 January 2023, subject to the approval by the Independent Shareholders at the annual general meeting. After the New Framework Agreement takes effect, the Financial Services Agreement will be governed by the New Framework Agreement.

Major terms

Parties:

- (1) The Company; and
- (2) China Minmetals

Transaction types:

Pursuant to the New Framework Agreement, the Group and China Minmetals Group will continue to conduct various types of transactions, including sale and purchase of materials, engineering construction, asset financing services, production and maintenance services, metallurgical and management services, property leasing and financial services (i.e. the type of subject transactions under the Financial Services Agreement). The signing of the New Framework Agreement will not prejudice the right of either party to select transaction counterparty or conduct similar transactions with third parties. Details of each type of the transactions under the New Framework Agreement are as follows:

(1) Sale and purchase of materials

The Company will, as a purchaser, purchase steel from China Minmetals Group, and 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 and operation. The abovementioned suppliers of materials shall also provide relevant logistics services in relation to the materials supplied, including storage, freight forwarding, shipping and land transportation and other services.

(2) *Engineering construction*

The Company will, as a contractor, provide engineering construction services to China Minmetals Group, including engineering services of engineering, procurement and construction (EPC) and public-private partnership (PPP) projects. In addition, given the regional advantages of the specialized companies of China Minmetals in certain areas, and their professional construction qualifications and unique technological advantages in nonferrous mining and smelting engineering construction fields, the Company will subcontract part of the construction work secured in such areas and fields to the specialized companies of China Minmetals.

(3) *Asset financing services*

Asset financing services include factoring services, finance lease services, credit extension services and bond underwriting services provided to the Group by China Minmetals Group. The details are as follows:

- (i) China Minmetals Group (excluding Minmetals Finance Company) will provide factoring services (mainly including factoring services for accounts receivable) to the Group. The factoring services will be conducted by way of the transfer by the Group of its accounts receivable to China Minmetals Group and the provision of financing by China Minmetals Group to the Group in an amount which is equivalent to a particular percentage of the amount of the accounts receivable. The factoring period will be determined based on, among others, the due date of the transferred accounts receivable, the financial demand of the Group and the available capital of China Minmetals Group. Such factoring periods normally do not go beyond the due date of the transferred accounts receivable.
- (ii) China Minmetals Group (excluding Minmetals Finance Company) will provide finance lease services to the Group, including direct leasing services and sale and leaseback services. Direct leasing refers to the direct purchase by China Minmetals Group of new equipment necessary for the Group's operation and the lease of the same by China Minmetals Group to the Group for use. Sale and leaseback refers to the purchase of equipment by China Minmetals Group from the Group and the leaseback of the same to the Group for use. The lease period will be determined based on, among others, the useful life of the leased equipment, the financial demand of the Group and the available capital of China Minmetals Group. Such lease periods normally do not go beyond the useful life of the leased equipment.

- (iii) China Minmetals Group (excluding Minmetals Finance Company) will provide bond underwriting services (including but not limited to asset backed securities and asset-backed notes) to the Group.
- (iv) China Minmetals Group (excluding Minmetals Finance Company) provide credit extension services to the Group, which include loans on normal commercial terms, and the Group is not required to provide guarantee or pledge its assets for such credit extension services.

(4) *Production and maintenance services*

The Company will, as a service provider, provide maintenance services for equipment, spare parts and production and operation to China Minmetals Group.

(5) *Metallurgical and management services*

The Company will, as a service provider, provide various metallurgical and management services to China Minmetals Group, including power audit, environmental check; the exploration of mines and ore reserves, the observation for the transformation of tailing pond projects, the exploration of geotechnical engineering, the emission, heightening and ground treatment of tailing ponds, topographical survey of mines and mining areas; informationalized consulting and software development; consulting on investment decision, construction exploration, design, supervision, tender agency, project management and consulting on building costs of projects; physical check-up and insurance services required for the sake of health and safety of employees; logistics and transport services not based on procurement, etc.

(6) *Property leasing*

The Company will, as a lessee, lease properties and lands from China Minmetals Group. The Company currently expects that the leased properties under the New Framework Agreement are mainly certain units of MCC Tower (located at 28 Shuguangxili, Chaoyang District, Beijing, the PRC), which are used as offices of the Company.

Pricing of the transactions

Pursuant to the New Framework Agreement, with respect to the materials and services provided to the Group by China Minmetals Group, China Minmetals has undertaken that it will not and will procure its subsidiaries not to provide relevant materials and services to the Group on terms which are less favourable than those offered to third parties. Details of the pricing principles for each type of the transactions under the New Framework Agreement are as follows:

(1) *Sale and purchase of materials*

The suppliers and prices of steel and equipment will be determined by the open tender process of the purchaser and the result of successful bid will be publicly announced on the website of the purchase platform operated by the purchaser. Upon winning the bid, both parties will enter into a specific purchase contract, in which the payment arrangement on the purchase price, generally including prepayments, payments upon goods delivery and completion of inspection and acceptance and quality guarantee deposits, will be specified.

The selling price of bulk materials (i.e. metal resource products including nickel, zinc and lead) offered by the Company to China Minmetals Group will be determined by both parties through negotiation with reference to the average monthly price of relevant bulk raw materials announced by The London Metal Exchange and SMM (www.smm.cn). Both parties will specify the payment arrangement, as well as the standards relating to logistics transportation and product testing, in the specific purchase contract.

(2) *Engineering construction*

The price of engineering construction projects will be determined through open tender. Pursuant to the relevant laws and regulations for bidding and tendering in China, the bidding and tendering results and prices of state-owned projects, state-owned investment projects and those engineering construction projects related to the national economy and the people's livelihood will be announced on the website of the platform of bidding and tendering of government projects. Upon winning the bid, both parties will enter into a specific construction contract, in which the payment arrangement on the construction price (which will be generally paid according to the progress of a particular project or the completion ratio calculated on a monthly basis) will be specified.

(3) *Asset financing services*

Interests on factoring services and rent of finance lease services will be determined by both parties through negotiation by reference to the benchmark interest rate of loans for the same period as announced by the PBOC and shall not be higher than the financing cost of similar services which the Company may obtain from independent third parties. The interests, for the purpose of factoring services, and the rent, for the purpose of finance lease services, will be generally paid on a quarterly basis or half-yearly basis and will be specified in the specific contract to be entered into by both parties.

Underwriting and management fees of bond underwriting services shall not be higher than the underwriting and management fees to be paid by the Company for similar services available from independent third parties, and will be specified in the specific contract to be entered into by both parties.

Interests on credit extension services will be determined by both parties through negotiation by reference to the benchmark interest rate of loans for the same period as announced by the PBOC, and shall not be higher than the financing cost of similar services which the Company may obtain from independent third parties. The interests will be generally paid on a monthly or quarterly basis and will be specified in the specific contract to be entered into by the parties.

(4) *Production and maintenance services*

The suppliers and prices of production and maintenance services will be determined by the open tender process of China Minmetals Group, and the result of successful bid will be publicly announced on the website of the purchase platform operated by China Minmetals Group. Upon winning the bid, both parties will enter into a specific service contract, in which the payment arrangement on service price (which will be generally paid on a monthly, quarterly or annual basis) will be specified.

(5) *Metallurgical and management services*

The suppliers and prices of metallurgical and management services will be determined by the open tender process of the purchaser, and the result of successful bid will be publicly announced on the website of the purchase platform operated by the purchaser. Upon winning the bid, both parties will enter into a specific service contract, in which the payment arrangement on service price (which will be generally paid on a monthly, quarterly or annual basis or according to the progress of services provided) will be specified.

(6) *Property leasing*

The rent is determined by both parties through negotiation with reference to the valuation report on the market price of the properties in the same area as the leased properties issued by valuers who are independent third parties. The rent will be generally paid on a quarterly or annual basis and will be specified in the specific leasing contract to be entered into by both parties.

Term

The New Framework Agreement will be valid for a term of three years from 1 January 2023, subject to the approval by the Independent Shareholders at the annual general meeting.

HISTORICAL DATA

The historical amounts of each type of transactions between the Group and China Minmetals Group (including CMGC) as disclosed above for the two years ended 31 December 2021 are as follows:

Unit: RMB0'000

Transaction type	For the year ended 31 December	
	2020 Amount incurred	2021 Amount incurred
Sale and purchase of materials		
Income	163,859	273,183
Expenditure	873,757	1,272,130
Engineering construction		
Income	100,583	94,314
Expenditure	19,943	31,063
Production and maintenance services		
Income	285	–
Metallurgical and management services		
Income	4,510	5,137
Expenditure	484	1,773
Property leasing		
Expenditure	6,618	6,853
Asset financing services		
Total financing amount		
Factoring	–	–
Finance lease	–	–
Financing expenses		
Financial assistance	7,313	2,233
Factoring	–	–
Finance lease	–	–
Bond underwriting		
Bond underwriting	–	–
Financial services		
Maximum daily balance available for finance lease	43,059	25,008
Maximum daily balance for loans, bills discounting, etc.	30,000	20,000
Interests and rents	2,580	1,105

ANNUAL CAPS

The Company estimates that the annual cap for each type of transactions under the New Framework Agreement for the year ending 31 December 2023 is as follows:

Unit: RMB0'000

Transaction type	For the year ending 31 December 2023 ^(Note 1)
Sale and purchase of materials	
Income	627,478
Expenditure	2,530,713
Engineering construction	
Income	1,192,337
Expenditure	113,114
Metallurgical and management services	
Income	31,377
Expenditure	5,606
Property leasing	
Expenditure ^(Note 2)	11,083
Asset financing services	
Total financing amount	
Factoring	350,000
Finance lease	350,000
Financing expenses	
Financial assistance ^(Note 3)	160,000
Factoring	21,000
Finance lease	21,000
Bond underwriting	
Bond underwriting	<u><u>33,000</u></u>

Notes:

1. Given the uncertainties on the growth of the business scale of the Group and China Minmetals Group and the significant fluctuation of market price of relevant materials, the annual caps of various types of transactions under the Framework Agreement in previous years needed to be revised from time to time. In order to accurately estimate the trading annual caps in 2024 and 2025 under the New Framework Agreement, the Company will (i) estimate the annual caps of various types of transactions for the year ending 31 December 2024 in 2023, and seek the approval of Independent Shareholders at the annual general meeting of shareholders, if necessary; and (ii) estimate the annual caps of various types of transactions as of 31 December 2025 in 2024, and seek the approval of Independent Shareholders at the annual general meeting, if necessary.

2. From 1 January 2019, the annual caps for the continuing connected transactions involving property leasing to which the Group is the lessee will be determined based on the total value of right-to-use assets involved in the property leasing agreement entered into by the Group. Right-to-use assets shall be initially measured at costs, including initially measured amount of lease liability, amount of rental paid on or before the commencement date of lease term, and initial direct expenses incurred by the lessee. Total value of right-to-use assets will be several times of the actual rental for the period.
3. Pursuant to Rule 14A.90 of the Listing Rules, credit extension services are exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements as the credit extension services constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance.

The annual caps for the years ending 31 December 2023 are higher than the historical data, which is mainly due to the fact that suppliers in most of the transactions between the Group and China Minmetals Group, in particular those in relation to sale and purchase of materials and engineering construction, will be selected through the public tender process. The Company is unable to predict whether the Group (if the Group is a bidder) or China Minmetals Group (if China Minmetals Group is a bidder) will win the bid for any particular project, therefore, in estimating the annual caps for the year ending 31 December 2023, the Company has made reference to the existing and expected bidding projects of the Group and China Minmetals Group, assumed that the Group would win the bid for all bidding projects of China Minmetals Group, or China Minmetals Group would win the bid for all bidding projects of the Group, and taken into consideration the estimated amount of the bidding projects as the basis for determining the annual caps. In addition, as certain projects of the Group and China Minmetals Group in previous years have not been carried out as scheduled and are expected to be delayed to the future, in estimating the annual caps for the year ending 31 December 2023, the Company has also taken these projects into consideration.

BASIS OF DETERMINATION OF ANNUAL CAPS

In determining the annual caps for the transactions of sale and purchase of materials, the Company has mainly made reference to the sale and purchase plan of the Group for each type of materials for the coming year, particularly the demand of construction projects (such as EPC and PPP projects) for steel and equipment, as well as the latest sale and purchase prices of relevant materials on the market. For the sale and purchase of materials by the Group, subsidiaries of the Company have reported to the Company about their annual estimated procurement amounts for steel and equipment in 2023. Such amounts have been estimated by the subsidiaries based on their demands for steel and equipment for their bid-winning EPC and PPP projects or the projects for which they intend to participate in the bidding process, and with reference to the recent market prices

of such steel and equipment as well as the procurement volume of such steel and equipment in 2021. In determining the market price of steel, subsidiaries of the Company have made reference to the recent price and the price trend of different types of steel as published on the website of Mysteel (www.mysteel.com); in determining the market price of equipment, subsidiaries of the Company have made reference to the historical transaction price of their procurement of similar equipment. For the sale of materials by the Group, the Company has taken into consideration the demand of China Minmetals Group for bulk materials and equipment, especially for nickel-related products.

In determining the annual caps for the transactions of engineering construction, the Company has mainly made reference to the investment plan formulated under the strategic development plan of China Minmetals Group and the expected building cost of such engineering projects for which the Group intends to participate in the bidding process, and such building cost has been estimated with reference to the investment amount of similar projects within the same region.

In determining the annual caps for factoring services and finance lease services, the Company has considered the future business development plan of the Group and the demand for factoring services and finance lease services from China Minmetals Group in the Group's daily operation and development; the current condition of the financing market, interest rate level and potential adjustment to the RMB benchmark loan interest rate to be made by the PBOC; the nature and value of the accounts receivable and leased assets; and the due date of accounts receivable and estimated useful life of leased assets.

In determining the annual caps for bond underwriting services, the Company has made reference to the bond issuance plan of the Group for the coming year (including short-term financing bills, extra-short-term financing bills, medium-term notes, corporate bonds, enterprise bonds, asset-backed notes, asset-backed securities and other types of bonds in the bond market), and the demand of the Group for the bond underwriting services from China Minmetals Group; the current capital condition of the bond market, interest rate level, potential adjustment to the RMB benchmark loan interest rate to be made by the PBOC, and possibility of launching new bond products in the future.

In determining the annual caps for metallurgical and management services, the Company has made reference to the plan of construction projects in which China Minmetals Group intends to invest as well as the service proposals on the relevant projects as reported to the Company by its subsidiaries, estimated the labor hours based on the labor hours spent on the similar historical construction projects and the estimated construction process of the relevant projects, and estimated the labor unit price and the caps with reference to the price for the provision of similar services to other customers.

In determining the annual caps for property leasing, the Company has considered the historical rent paid by the Group to CMGC, the Group's demand for renting the relevant units in MCC Tower, and the prevailing and expected market rent.

PRICING AND INTERNAL CONTROL PROCEDURES

In order to ensure that the prices and terms of each type of the transactions under the New Framework Agreement will be no less favourable than those entered into between the Group and independent third parties, the Company has adopted the following measures and procedures:

For transactions under the New Framework Agreement of which the suppliers or service providers are determined through the open tender process, if the Group is the tenderer, the Group will invite no less than three entities to participate in the bidding. Relevant business departments of the Group, together with the tender and procurement management center, will establish a tender evaluation committee. The tender evaluation committee will select the suppliers or service providers and determine the transaction prices with reference to, among others, the previous performance results, bidding prices and service quality of the bidders. The result of successful bid will be submitted to the persons in charge of the relevant business departments of the Group for consideration and approval. If, after opening the bids, the quotations received from all bidders are higher than the budget of the Group and such quotations are regarded as reasonable prices after analysis, then such bids are still valid, and the Group will adjust and approve the budget according to the relevant policies and procedures. If the Group is a bidder, relevant business departments of the Group will determine the bidding price according to the requirements set forth in the tender documents with reference to the guiding price given by the local government and the market price. The guiding price given by the local government and the market price are published and updated regularly by the competent price bureau of the local government and the Group pays a fee to access such information. The bidding price will be submitted to the persons in charge of the relevant business departments of the Group for consideration and approval.

For transactions under the New Framework Agreement of which the prices are determined by the parties through negotiation (including the sale of bulk materials, such as metal resource products, by the Group to China Minmetals, and the provision of factoring services, finance lease services, credit extension services and bond underwriting services by China Minmetals to the Group), relevant business departments of the Group will make reference to the prices of similar transactions between the Group and independent third parties, and normally obtain two or more reference prices from independent third parties, after which the relevant business departments will determine the prices for each type of transactions and submit the same to the persons in charge of the relevant business departments for consideration and approval.

Relevant business departments of the Group will carry out statistical analysis on the actual transaction amount on a monthly basis so as to monitor the progress of the continuing connected transactions of the Group. The legal affairs department of the Group will review the contracts in relation to connected transactions before execution of the contracts.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE NEW FRAMEWORK AGREEMENT

(1) Sale and purchase of materials

China Minmetals 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. Steel trading is one of the traditional businesses of China Minmetals Group that not only possesses advantageous position in the domestic market but is also supported with a sound network of international trading channels, which can provide the Company with 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 subsidiaries of the Company that engage in resource business. Since China Minmetals Group and the Company possess different capabilities in equipment manufacturing, the mutual supply of equipment can create complementary advantages, hence satisfying the needs for particular engineering construction and production and operation.

(2) Engineering construction

China Minmetals Group is a large-scale conglomerate that engages in global operation. By participating in the bidding process for the engineering construction projects of China Minmetals Group, the Company will be able to enlarge its market share, increase its operating revenue, enhance market competitiveness and boost brand awareness so as to facilitate the brand building of the Company. As China Minmetals Group possesses regional advantages in certain regional markets, the subcontracting of partial engineering construction projects located at such regions by the Company to China Minmetals Group is conducive to the Company's reduction of engineering construction costs and acceleration of progress of engineering construction.

(3) Asset financing services

As China Minmetals has obtained the full license for its financing business, it is qualified to provide diversified financing services to the Company. In particular, credit extension services may satisfy the needs of the Company

for use of capital and effectively strengthen its cash flow condition; factoring services may optimize financing structure without using the bank facilities of the Company, which will efficiently reduce the accounts receivable of the Company and speed up the return of capital with the aim of promoting the sustainable and healthy development of the Company; finance lease services may provide unrestricted capital support to the Company for its production and operation by utilizing the existing equipment, which will help the Company monetize fixed assets while maintaining the normal operation of the relevant equipment; bond underwriting services may satisfy the long-term financing needs of the Company, reduce financing costs, and expand the financing channels of the Company through the issuance of asset-backed securitization products.

(4) *Production and maintenance services and metallurgical and management services*

The Company is equipped with competitive advantages in full industry chain and the capability in providing operation services within full life cycle under an integrated model of engineering construction operation. By providing production and maintenance services and metallurgical and management services as well as other relevant services to China Minmetals Group, the Company will be able to develop its relevant advantages, increase operating revenue and enhance its market share.

(5) *Property leasing*

The properties leasing arrangement will enable the Company to secure a long-term lease at a relatively stable rental price, and to maintain the stable use of the Company's office premises and avoid the potential risks arising from directly owning the premises.

IV. 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.

Minmetals Finance Company was established in the PRC to provide financial services, including financial and financing advisory, credit appraisal and related advisory, and agency services for its member units.

V. LISTING RULES IMPLICATIONS

Revision of annual caps for transactions under the Framework Agreement

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 one or more of the applicable percentage ratios of the revised annual caps for the material sale and purchase (income and expenditure) transactions under the Listing Rules exceed 5% but are lower than 25%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the revised annual cap for the property leasing (expenditure) transactions under the Listing Rules exceed 0.1% but are lower than 5%, such transactions are subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios of the revised annual cap for the metallurgical and management (expenditure) transactions under the Listing Rules are lower than 0.1%, such transactions are exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Entering into of the Financial Services Agreement with Minmetals Finance Company

Minmetals Finance Company, a subsidiary of China Minmetals, is a connected person of the Company. As such, the transactions under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

With respect to the deposit services under the Financial Services Agreement, as one or more of the applicable percentage ratios of the maximum daily balance of deposits (including accrued interest) exceed 5% but are lower than 25%, the transactions of relevant deposit services under the Financial Services Agreement are therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the transactions of relevant deposit services under the Financial Services Agreement also constitute disclosable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

With respect to the credit extension services under the Financial Services Agreement, the credit extension services provided by Minmetals Finance Company to the Group will constitute financial assistance received by the Group from the connected person. As these credit extension services are conducted on normal commercial terms that are no less favourable than those offered to the Group by independent third parties where no charge over the assets of the Group is granted, the transactions in relation to the credit extension services are therefore fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

With respect to other financial services under the Financial Services Agreement, as all the applicable percentage ratios of the service fees (calculated on an annualized basis) payable by the Group to Minmetals Finance Company for such services are lower than 0.1%, such transactions are therefore exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Entering into of the New Framework Agreement with China Minmetals

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

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the transactions of material sale and purchase (income and expenditure) and engineering construction (income) under the New Framework Agreement exceed 5% but are lower than 25%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the transactions of engineering construction (expenditure), metallurgical and management services (income), property leasing (expenditure), factoring services, finance lease services and bond underwriting services under the New Framework Agreement exceed 0.1% but are lower than 5%, such transactions are subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios under the Listing Rules in respect of the annual caps for the transactions of metallurgical and management services (expenditure) under the New Framework Agreement are lower than 0.1%, such transactions are exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VI. 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 matters in this announcement.

The Company will appoint Gram Capital Limited (a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity (under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) as the independent financial adviser which shall advise the Independent Board Committee and the Independent Shareholders in relation to the annual caps that shall be submitted to the annual general meeting for consideration as set out in this announcement.

VII. DESPATCH OF CIRCULAR

The Company will seek approval from the Independent Shareholders in respect of the matters in this announcement at the forthcoming annual general meeting. A circular containing, among others, details of the matters in this announcement, a letter from the Independent Board Committee and a letter from the independent financial adviser (both containing advice on the matters in this announcement) is expected to be despatched to the Shareholders in accordance with the Listing Rules. The Company will despatch the circular to the Shareholders on or before 25 May 2022 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 matters in this announcement, CMGC, an associate of China Minmetals, will abstain from voting to approve the matters in this announcement 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, whose 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 matters in this announcement, including all independent non-executive Directors, namely Mr. Zhou Jichang, Mr. Liu Li and Mr. Ng, Kar Ling Johnny
“Independents Shareholders”	has the meaning ascribed to it under the Listing Rules
“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
“New Framework Agreement”	the Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement to be entered into between the Company and China Minmetals
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“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
“Strategic Restructuring”	the strategic restructuring between CMGC and China Minmetals, upon completion of which, CMGC will be incorporated into China Minmetals as a whole, and China Minmetals will hold the entire equity interest of CMGC
“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

“%”	percent
“Minmetals Finance Company”	CMC Finance Co., Ltd., a company established in the PRC and a subsidiary of China Minmetals
“Financial Services Agreement”	the financial services agreement to be entered into between the Company and Minmetals Finance Company for the provision of relevant financial services to the Group

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

Beijing, the PRC
29 March 2022

As at the date of this announcement, the Board of the Company comprises executive Directors: Mr. Chen Jianguang and Mr. Zhang Mengxing; non-executive Directors: Mr. Lang Jia and Mr. Yan Aizhong (employee representative Director); and independent non-executive Directors: Mr. Zhou Jichang, Mr. Liu Li and Mr. Ng, Kar Ling Johnny.

* *For identification purposes only*