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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)

**DISCLOSEABLE TRANSACTION
CONDUCTING ASSET SECURITIZATION OF
ACCOUNTS RECEIVABLE**

CONDUCTING ASSET SECURITIZATION OF ACCOUNTS RECEIVABLE

The Board is pleased to announce that on 14 October 2022, Shanghai Baoye, a subsidiary of the Company, entered into the Sale and Purchase Agreement with BOCI Securities, pursuant to which Shanghai Baoye shall transfer its Accounts Receivable as the underlying assets to the assets-backed Special Plan established by BOCI Securities with an issue size of not more than RMB2.5 billion and an issuance period of not more than 3 years. The book value of the Accounts Receivable under the initial purchase by the Special Plan from Shanghai Baoye is expected to be not more than RMB2.628 billion, and the Accounts Receivable shall be purchased on a recurring basis over a period of three years with the book value of each purchase not exceeding RMB2.5 billion. The consideration for the initial transfer of the Accounts Receivable shall not exceed RMB2.5 billion and the consideration for each recurring transfer of the Accounts Receivable shall not exceed RMB2.4 billion. The accumulated book value of the Accounts Receivable from the initial purchase and recurring purchases by the Special Plan from Shanghai Baoye during the 3-year period is expected to be not more than RMB7.5 billion, and the estimated consideration for the transfer of the Accounts Receivable shall be not more than RMB7.2 billion.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Transaction exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND INFORMATION

The Board is pleased to announce that on 14 October 2022, Shanghai Baoye, a subsidiary of the Company, entered into the Sale and Purchase Agreement with BOCI Securities, pursuant to which Shanghai Baoye shall transfer its Accounts Receivable as the underlying assets to the assets-backed Special Plan established by BOCI Securities with an issue size of not more than RMB2.5 billion and an issuance period of not more than 3 years. The book value of the Accounts Receivable under the initial purchase by the Special Plan from Shanghai Baoye is expected to be not more than RMB2.628 billion, and the Accounts Receivable shall be purchased on a recurring basis over a period of three years with the book value of each purchase not exceeding RMB2.5 billion. The consideration for the initial transfer of the Accounts Receivable shall not exceed RMB2.5 billion and the consideration for each recurring transfer of the Accounts Receivable shall not exceed RMB2.4 billion. The accumulated book value of the Accounts Receivable from the initial purchase and recurring purchases by the Special Plan from Shanghai Baoye during the 3-year period is expected to be not more than RMB7.5 billion, and the estimated consideration for the transfer of the Accounts Receivable shall be not more than RMB7.2 billion.

MAJOR TERMS OF THE SALE AND PURCHASE AGREEMENT

- Date : 14 October 2022
- Parties : Shanghai Baoye (as the seller); and
BOCI Securities (as the purchaser)
- Accounts receivable to be transferred : Pursuant to the Sale and Purchase Agreement, Shanghai Baoye has agreed to transfer the Accounts Receivable to BOCI Securities, which include:
- (i) all titles and related interests (present and future, existing and contingent) of the Accounts Receivable;
 - (ii) all the repayments, due or to become due, attributable to the Accounts Receivable;
 - (iii) the proceeds from recovery, sale or otherwise disposal of the Accounts Receivable;
 - (iv) the rights to request, sue, recover and receive all the payments in relation to the Accounts Receivable (no matter whether such payments are payable by the payment obligors under the underlying contracts); and

- (v) the interests arising from commitments in relation to the Accounts Receivable and enforcement rights of all the rights and legal remedies arising from the Accounts Receivable.

Consideration and payment : The consideration in respect of the initial transfer of the Accounts Receivable is expected to be not more than RMB2.5 billion, not more than RMB2.4 billion for each recurring purchase and not more than RMB7.2 billion in aggregate over a 3-year period, which is calculated by multiplying the book value of the Accounts Receivable by a discount rate which is determined after arm's length negotiations between Shanghai Baoye and BOCI Securities with reference to the future recoverability of the Accounts Receivable.

BOCI Securities shall pay the consideration to Shanghai Baoye on the date of the establishment and during the subsistence of the Special Plan by bank transfer.

Conditions precedent : The conditions precedent for the completion of the Transaction mainly include, among others:

- (i) BOCI Securities having received or obtained all the consents, approvals and authorizations necessary for performing its obligations under the Sale and Purchase Agreement and other documents relating to the Special Plan;
- (ii) Shanghai Baoye having received or obtained all the approvals, consents and authorizations necessary for performing its obligations under the Sale and Purchase Agreement, including but not limited to copies of the board resolutions;
- (iii) the Special Plan being established in accordance with the terms set out in the Standard Terms;

- (iv) Shanghai Baoye not having breached its representations and warranties set out in the Sale and Purchase Agreement and other documents relating to the Special Plan up to the date of payment of the consideration by BOCI Securities to Shanghai Baoye; and
- (v) BOCI Securities (together with its legal advisors and accountants, etc.) having completed the due diligence on the underlying assets of the Special Plan.

FINANCIAL IMPACTS OF THE TRANSACTION

It is estimated that the Group will recognize a financing cost of not exceeding an average of RMB100 million per annum and not exceeding RMB300 million in aggregate during the 3-year period in respect of the Transaction, which is calculated based on the book value of the Accounts Receivable, less the total consideration of the Transaction. The final amount of the financing cost of the Transaction shall be determined based on the final transfer size and consideration of the Accounts Receivable to be transferred.

The proceeds from the Transaction will be used to replenish the working capital of Shanghai Baoye.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board believes that the Transaction will help (i) revitalize the Group's assets; (ii) control its risk in Accounts Receivable; (iii) reduce its amount of Accounts Receivable so as to optimize its asset structure; and (iv) increase the Group's liquidity and improve its asset efficiency and financial condition, thereby optimizing its financial statements. The Directors consider that the Transaction is entered into on normal commercial terms in the usual and ordinary course of business of the Group, is fair and reasonable, and in the interests of the Company and its shareholders as a whole.

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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.

Shanghai Baoye, a subsidiary of the Company, is principally engaged in smelting engineering, housing construction engineering and public infrastructure engineering.

BOCI Securities is a limited liability company incorporated under the laws of the PRC on 28 February 2002, the shares of which are listed on the Shanghai Stock Exchange (stock code: 601696). BOCI Securities is principally engaged in securities brokerage, securities investment consulting, securities asset management, securities underwriting and other businesses.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, BOCI Securities and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

DEFINITIONS

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

“Accounts Receivable”	the accounts receivable and related interests of Shanghai Baoye against the relevant payment obligors under certain construction and trade contracts
“Board”	the board of Directors of the Company
“BOCI Securities”	BOC International (China) Co., Ltd. (中銀國際證券股份有限公司), a joint stock limited company with limited liability incorporated under the laws of the PRC on 28 February 2002
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement for the underlying assets under the Special Plan entered into between Shanghai Baoye and BOCI Securities on 14 October 2022
“Shanghai Baoye”	Shanghai Baoye Group Corp., Ltd.* (上海寶冶集團有限公司), a company with limited liability incorporated under the laws of the PRC on 15 January 2003 and a subsidiary of the Company
“Special Plan”	2022 Accounts Receivable Asset-backed Special Plan of Shanghai Baoye to be established by BOCI Securities as the custodian, with the Accounts Receivable as the underlying assets
“Standard Terms”	the standard terms for the Special Plan
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Transaction”	the disposal of the Accounts Receivable by Shanghai Baoye to BOCI Securities in accordance with the Sale and Purchase Agreement

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

Beijing, the PRC
14 October 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