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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 DISPOSAL OF ACCOUNTS RECEIVABLE**

The Board hereby announces that, on 27 August 2021, MCC 20 Group, a subsidiary of the Company, entered into the Transfer Agreement with Guotai Junan Asset Management, pursuant to which MCC 20 Group agreed to dispose of and Guotai Junan Asset Management (on behalf of the Special Plan) agreed to acquire the Accounts Receivable with an estimated book value of no more than RMB8,500 million at an estimated consideration of no more than RMB8,185 million. Guotai Junan Asset Management will, as the custodian, establish the Special Plan, with the Accounts Receivable as the underlying assets. The duration of the Special Plan is expected to be no more than 3 years.

As one or more of the applicable percentage ratios in respect of the Transaction exceed 5% but 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**

On 27 August 2021, MCC 20 Group, a subsidiary of the Company, entered into the Transfer Agreement with Guotai Junan Asset Management, pursuant to which MCC 20 Group agreed to dispose of and Guotai Junan Asset Management (on behalf of the Special Plan) agreed to acquire the Accounts Receivable with an estimated book value of no more than RMB8,500 million at an estimated consideration of no more than RMB8,185 million. Guotai Junan Asset Management will, as the custodian, establish the Special Plan, with the Accounts Receivable as the underlying assets. The duration of the Special Plan is expected to be no more than 3 years.

## MAJOR TERMS OF THE TRANSFER AGREEMENT

- Date : 27 August 2021
- Parties : MCC 20 Group (as seller);  
Guotai Junan Asset Management (as purchaser)
- Accounts Receivable to be Transferred : Pursuant to the Transfer Agreement, MCC 20 Group has agreed to transfer the Accounts Receivable to Guotai Junan Asset Management, which include:
- (i) all titles, ancillary security interests 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 sale and purchase of the Accounts Receivable is estimated to be no more than RMB8,185 million, which is calculated by multiplying the book value of the Accounts Receivable by a discount rate which is determined after arms' length negotiations between MCC 20 Group and Guotai Junan Asset Management with reference to the future recoverability of the Accounts Receivable.
- Guotai Junan Asset Management shall pay the consideration to MCC 20 Group on the date of establishment and during the subsistence of the Special Plan by bank transfer.

- Conditions Precedent : The conditions precedent for the closing of the Transaction mainly include, among others:
- (i) MCC 20 Group having received or obtained all the approvals, consents and authorizations required for the performance of its obligations under the Transfer Agreement, including but not limited to copies of the shareholders' resolutions and the board resolutions;
  - (ii) the Special Plan being established in accordance with the terms set out in the Standard Terms;
  - (iii) MCC 20 Group not having breached its representations and warranties set out in the Transfer Agreement and other documents relating to the Special Plan up to the date of payment of the consideration by Guotai Junan Asset Management to MCC 20 Group; and
  - (iv) Guotai Junan Asset Management (together with its legal advisers and accountants etc.) having completed the due diligence of the underlying assets in respect of the Special Plan.

## **FINANCIAL IMPACT OF THE TRANSACTION**

It is estimated that the Group will recognize a financing cost of not exceeding RMB315 million in respect of the Transaction, which is calculated based on the estimated maximum amount of the book value of the Accounts Receivable less the maximum total consideration of the Transaction. The final amount of 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 MCC 20 Group.

## **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 of 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.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Transaction exceed 5% but 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.

## **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. MCC 20 Group is a subsidiary of the Company and is principally engaged in engineering contracting business.

Guotai Junan Asset Management is a company with limited liability incorporated under the laws of the PRC. Guotai Junan Asset Management is principally engaged in securities asset management. Guotai Junan Asset Management is a wholly-owned subsidiary of Guotai Junan Securities Co., Ltd.\* (國泰君安證券股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code of the Shanghai Stock Exchange: 601211) and the Stock Exchange (stock code of the Stock Exchange: 02611).

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

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Accounts Receivable”	the accounts receivable and related interests of MCC 20 Group against the relevant payment obligors under certain construction contracts
“Board”	the board of Directors of the Company
“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 thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guotai Junan Asset Management”	Shanghai Guotai Junan Securities Asset Management Co., Ltd. (上海國泰君安證券資產管理有限公司), a company with limited liability incorporated under the laws of the PRC on 27 August 2010
“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
“MCC 20 Group”	China MCC 20 Group Co., Ltd.* (中國二十冶集團有限公司), a company with limited liability incorporated under the laws of the PRC on 19 December 2001 and a subsidiary of the Company
“PRC”	the People’s Republic of China and for the sole purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Special Plan”	an asset-backed special plan to be established by Guotai Junan Asset Management as the custodian, with the Accounts Receivable as the underlying assets
“Standard Terms”	the standard terms in respect of the accounts receivable asset-backed special plan entered into between MCC 20 Group and Guotai Junan Asset Management on 27 August 2021
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Transaction”	the disposal of the Accounts Receivable by MCC 20 Group to Guotai Junan Asset Management in accordance with the Transfer Agreement
“Transfer Agreement”	the transfer agreement for the underlying assets under the accounts receivable asset-backed special plan entered into between MCC 20 Group and Guotai Junan Asset Management on 27 August 2021

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

Beijing, the PRC  
27 August 2021

*As at the date of this announcement, the Board of the Company comprises two executive Directors: Mr. Guo Wenqing and Mr. Zhang Mengxing; three 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 purposes only*