

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

CONTINUING CONNECTED TRANSACTIONS

(1) REVISION OF 2023 ANNUAL CAPS FOR TRANSACTIONS

UNDER THE FRAMEWORK AGREEMENT; AND

(2) 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 announcements of the Company dated 29 March 2022, 5 May 2022 and 25 May 2022 and the circular of the Company dated 30 May 2022 in relation to, among other matters, the Framework Agreement entered into between the Company and China Minmetals on various 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 27 October 2022 in relation to the revision of annual caps for metallurgical and management services (expenditure) transactions under the Framework Agreement for the year ended 31 December 2022 and the year ending 31 December 2023.

In order to expand its business and take into account the related new projects that were successfully bid from China Minmetals, the Group will expand its trading scale with China Minmetals Group in 2023. As a result, the annual caps for transactions under the Framework Agreement for the year ending 31 December 2023 could not meet the business needs of the Group. Therefore, the Company plans to increase the existing annual caps for engineering construction (income), metallurgical and management (expenditure) and property leasing (expenditure) transactions under the Framework Agreement for the year ending 31 December 2023.

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 2023.

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 2023 remain unchanged.

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 2023, on 29 March 2023, 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 one year from 1 January 2024 to 31 December 2024, subject to the approval by the Independent Shareholders at the annual general meeting. The type of connected transactions of metallurgical and management services under the Framework Agreement will be renamed as technological and management services under the New Framework Agreement.

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 2023 annual caps for the engineering construction (income) 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 2023 annual cap for the metallurgical and management services (expenditure) and property leasing (expenditure) 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.

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), technological and management services (income and expenditure), property leasing (expenditure), asset financing services (total financing – factoring), asset financing services (total financing – finance leasing), asset financing services (financing expenses – financial assistance), asset financing services (financing expenses – factoring), asset financing services (financing expenses – finance leasing) and asset financing services (bond underwriting) 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.

III. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non- executive Directors) has been formed, will 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 2023 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 announcements of the Company dated 29 March 2022, 5 May 2022 and 25 May 2022 and the circular of the Company dated 30 May 2022 in relation to, among other matters, the Framework Agreement entered into between the Company and China Minmetals on various 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 27 October 2022 in relation to the revision of annual caps for metallurgical and management services (expenditure) transactions under the Framework Agreement for the year ended 31 December 2022 and the year ending 31 December 2023.

In order to expand its business and take into account the related new projects that were successfully bid from China Minmetals, the Group will expand its trading scale with China Minmetals Group in 2023. As a result, the annual caps for transactions under the Framework Agreement for the year ending 31 December 2023 could not meet the business needs of the Group. Therefore, the Company plans to increase the existing annual caps for engineering construction (income), metallurgical and management (expenditure) and property leasing (expenditure) transactions under the Framework Agreement for the year ending 31 December 2023.

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 2023.

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 2023 remain unchanged.

OVERVIEW OF ANNUAL CAPS FOR TRANSACTION TYPES

Pursuant to the Framework Agreement entered into between the Company and China Minmetals on 25 May 2022, the Group and China Minmetals Group carried out various types of transactions, including sale and purchase of materials, engineering construction, asset financing services, production and maintenance, metallurgical and management services, property leasing and financial services. 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) Engineering construction (income) transactions

Engineering construction (income) transactions mainly involve that the Group, 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.

(2) Metallurgical and management services (expenditure) transactions

Metallurgical and management services (expenditure) transactions mainly involve the logistic transaction services and the financial advisory services provided by China Minmetals Group as a service provider to 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 lessee. 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 29 March 2022, 5 May 2022, 25 May 2022 and 27 October 2022 and the circular of the Company dated 30 May 2022.

HISTORICAL TRANSACTION AMOUNTS AND EXISTING ANNUAL CAPS AND REVISED ANNUAL CAPS FOR 2023

(1) Engineering construction (income) transactions

In respect of the engineering construction (income) transactions with China Minmetals Group for the two years ended 31 December 2021 and 2022, the amounts paid by China Minmetals Group to the Group were RMB943.14 million and RMB3,619.92 million, respectively. As at the date of this announcement, the cumulative amount of engineering construction (income) transactions has not exceeded the existing annual cap for the year ending 31 December 2023. However, due to the reasons and benefits disclosed below, the Company expects that the existing annual cap for the year ending 31 December 2023 could not meet the business needs of the Group. As a result, the Board passed a resolution on 29 March 2023 to revise the relevant annual caps as follows:

Unit: RMB0'000

	Existing annual cap for the year ending 31 December 2023	Revised annual cap for the year ending 31 December 2023
Engineering construction (income) transactions	<u>1,192,337</u>	<u>1,344,708</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 2021 and 2022, the amounts paid by the Group to China Minmetals Group were RMB17.73 million and RMB157.22 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 2023. However, due to the reasons and benefits disclosed below, the Company

expects that the existing annual cap for the year ending 31 December 2023 could not meet the business needs of the Group. As a result, the Board passed a resolution on 29 March 2023 to revise the relevant annual caps as follows:

Unit: RMB0'000

	Existing annual cap for the year ending 31 December 2023	Revised annual cap for the year ending 31 December 2023
Metallurgical and management services (expenditure) transactions	<u>27,706</u>	<u>116,000</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 2021 and 2022, the amounts paid by the Group to China Minmetals Group were RMB68.53 million and RMB96.44 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 2023. However, due to the reasons and benefits described below, the Company expects that the existing annual cap for the year ending 31 December 2023 could not meet the business needs of the Group. As a result, the Board passed a resolution on 29 March 2023 to revise the relevant annual caps as follows:

Unit: RMB0'000

	Existing annual cap for the year ending 31 December 2023	Revised annual cap for the year ending 31 December 2023
Property leasing (expenditure) transactions	<u>11,083</u>	<u>46,000</u>

The annual caps for other transaction types under the Framework Agreement for the year ending 31 December 2023 remain unchanged.

REASONS FOR AND BENEFITS OF THE REVISION OF ANNUAL CAPS

With the 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 2023 may exceed the existing limit.

In 2023, the subsidiaries of the Company are expected to increase their logistics business cooperation with Minmetals Logistics Group Co., Ltd., a subsidiary of China Minmetals, in accordance with their business needs, resulting in higher expenditure requirements for the type of metallurgical and management services of the Group.

The subsidiaries of the Company have increased leasing expenses as a result of the expansion of office space and lease price increases, as well as leasing units from China Minmetals for the Company's office buildings, and therefore it is expected that the total amount of property lease-related transactions in 2023 may exceed the prescribed limit. 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 (excluding Mr. Chen Jianguang, Mr. Zhang Mengxing and Mr. Yan Aizhong (who abstained from voting on the relevant resolution as they are deemed to be interested in the Framework Agreement) and the independent non-executive Directors (as their views will be formed after taking into account the advice provided by the independent financial adviser)) consider that the transactions under the Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the revised annual caps for the transaction types are fair and reasonable.

Mr. Chen Jianguang, Mr. Zhang Mengxing and Mr. Yan Aizhong, who hold positions in China Minmetals and/or CMGC, have abstained from voting on the resolution of the Board in relation to the signing of the New Framework Agreement.

II. 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 2023, on 29 March 2023, 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 one year from 1 January 2024 to 31 December 2024, subject to the approval by the Independent Shareholders at the annual general meeting. The type of connected transactions of metallurgical and management services under the Framework Agreement will be renamed as technological and management services under 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, technological and management services, property leasing and financial services. 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, copper 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 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) will provide credit 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 services.

(4) *Technological and management services*

The Company will, as a service provider, provide various technological 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; scientific research related services, etc.

(5) *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, copper 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 loan prime rate (LPR) as announced by the National Interbank Funding Center of the PBOC and shall not be higher than the financing cost of similar services which the Company may obtain from independent third 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 services will be determined by both parties through negotiation by reference to the loan prime rate (LPR) as announced by the National Interbank Funding Center of 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) *Technological and management services*

The suppliers and prices of technological and management services will be mainly 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. In particular, the service price and the payment arrangement of scientific research related services will be determined pursuant to the specified terms of the contract signed by both parties.

(5) *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 one year from 1 January 2024 to 31 December 2024, 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 2022 and for the period from 1 January 2023 to 28 February 2023 are as follows:

Unit: RMB0'000

Transaction type	For the year ended 31 December		For the period from 1 January 2023 to 28 February 2023
	2021 Amount incurred	2022 Amount incurred	Amount incurred
Sale and purchase of materials			
Income	273,183	309,525	29,260
Expenditure	1,272,130	1,144,605	117,163
Engineering construction			
Income	94,314	361,992	48,122
Expenditure	31,063	37,437	7,764
Production and maintenance services			
Income	—	—	—
Metallurgical and management services			
Income	5,137	4,854	25
Expenditure	1,773	15,722	2,902
Property leasing			
Expenditure	6,853	9,644	488
Asset financing services			
Total financing amount			
Factoring	—	—	—
Finance lease	—	—	—

Transaction type	For the year ended		For the
	31 December		period from
	2021	2022	1 January
	Amount	Amount	2023 to
	incurred	incurred	28 February
			2023
			Amount
			incurred
Financing expenses			
Financial assistance	2,233	1,391	118
Factoring	–	–	–
Finance lease	–	–	–
Bond underwriting			
Bond underwriting	–	–	–

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 2024 is as follows:

Unit: RMB0'000

Transaction type	For the year
	ending
	31 December
	2024
Sale and purchase of materials	
Income	606,744
Expenditure	2,353,713
Engineering construction	
Income	1,429,087
Expenditure	154,000
Technological and management services	
Income	54,000
Expenditure	116,000
Property leasing	
Expenditure ^(Note)	46,000

Transaction type	For the year ending 31 December 2024
Asset financing services	
Total financing amount	
Factoring	200,000
Finance lease	200,000
Financing expenses	
Financial assistance	160,000
Factoring	12,000
Finance lease	12,000
Bond underwriting	
Bond underwriting	<u><u>33,000</u></u>

Note:

- 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.

The annual caps for the year ending 31 December 2024 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 2024, 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 2024, 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 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 2024. 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 2022. 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 has won the bid or 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 loan prime rate (LPR) to be announced by the National Interbank Funding Center of 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 loan prime rate (LPR) to be announced by the National Interbank Funding Center of the PBOC, and possibility of launching new bond products in the future.

In determining the annual caps for technological 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 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.

The Directors (excluding Mr. Chen Jianguang, Mr. Zhang Mengxing and Mr. Yan Aizhong (who abstained from voting on the relevant resolution as they are deemed to be interested in the New Framework Agreement) and the independent non-executive Directors (as their views will be formed after taking into account the advice provided by the independent financial adviser)) consider that the transactions under the New Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the annual caps for the transactions under the New Framework Agreement are fair and reasonable.

Mr. Chen Jianguang, Mr. Zhang Mengxing and Mr. Yan Aizhong, who hold positions in China Minmetals and/or CMGC, have abstained from voting on the resolution of the Board approving the entering into of the New Framework Agreement.

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 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) *Technological 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 technological 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.

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 2023 annual caps for the engineering construction (income) 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 2023 annual cap for the metallurgical and management services (expenditure) and property leasing (expenditure) 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.

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), technological and management services (income and expenditure), property leasing (expenditure), asset financing services (total financing – factoring), asset financing services (total financing – finance leasing), asset financing services (financing expenses – financial assistance), asset financing services (financing expenses – factoring), asset financing services (financing expenses – finance leasing) and asset financing services (bond underwriting) 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.

VI. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed, will 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.

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 2023 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 25 May 2022
“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
“Minmetals Finance Company”	CMC Finance Co., Ltd., a company established in the PRC and a subsidiary of China Minmetals
“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
“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

By order of the Board
Metallurgical Corporation of China Ltd.*
Wang Zhen
Joint Company Secretary

Beijing, the PRC
29 March 2023

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*