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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**

**CONNECTED TRANSACTION**

**ACQUISITION OF 100% EQUITY INTEREST IN  
XIZANG HUAYI GONGMAO CO., LTD FROM  
HULUDAO ZINC FACTORY**

The Company announces that MCC Huludao Nonferrous Metals Group Co., LTD (中冶葫蘆島有色金屬集團有限公司) (“**MCC Huludao**”), a non-wholly owned subsidiary of the Company, has entered into the Equity Transfer Agreement on 15 January 2010 with Huludao Zinc Factory (葫蘆島鋅廠) (“**Huludao Zinc**”), pursuant to which MCC Huludao agreed to acquire, and Huludao Zinc agreed to sell, the entire equity interest in Xizang Huayi Gongmao Co., Ltd (西藏華億工貿有限公司) (“**Xizang Huayi**”), at a consideration of approximately RMB387.39 million (equivalent to approximately HK\$440.04 million), which will be wholly satisfied by the offsetting of the moneys due from Huludao Zinc to MCC Huludao.

Huludao Zinc currently holds approximately 22.36% equity interests in MCC Huludao's registered capital. As such, Huludao Zinc is a connected person of the Company and the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules.

As certain applicable percentage ratio(s) (as defined in rule 14.07 of the Listing Rules) with respect to the Connected Transaction are greater than 0.1% and less than 2.5%, the Connected Transaction falls within rule 14A.32 of the Listing Rules and is therefore exempt from the independent Shareholders' approval requirements. The Connected Transaction is only subject to the reporting and announcement requirements set out under rules 14A.45 to 14A.47 of the Listing Rules.

## **1. INTRODUCTION**

The Company announces that MCC Huludao, a non-wholly owned subsidiary of the Company, has entered into the Equity Transfer Agreement on 15 January 2010 with Huludao Zinc, pursuant to which MCC Huludao agreed to acquire, and Huludao Zinc agreed to sell, the entire equity interest in Xizang Huayi, at a consideration of approximately RMB387.39 million (equivalent to approximately HK\$440.04 million), which will be satisfied by the offsetting of the indebtedness owed/account payables by Huludao Zinc to MCC Huludao.

Huludao Zinc currently holds approximately 22.36% equity interests in MCC Huludao's registered capital. As such, Huludao Zinc is a connected person of the Company and the transaction contemplated in the Equity Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules.

## **2. THE EQUITY TRANSFER AGREEMENT**

The particulars of the Equity Transfer Agreement are summarised as follows:

### **Date**

15 January 2010

### **Parties**

Seller: Huludao Zinc Factory

Purchaser: MCC Huludao Nonferrous Metals Group Co., LTD

### **Subject Matter**

Subject to satisfaction of the conditions precedent under the Equity Transfer Agreement, MCC Huludao agrees to acquire, and Huludao Zinc agrees to sell, the entire equity interests in Xizang Huayi.

### **Conditions Precedent**

The Equity Transfer Agreement will take into effect after the obtaining by Huludao Zinc of the approval from the State-owned Assets Supervision and Administration Commission of Liaoning Provincial government (遼寧省人民政府國有資產監督管理委員會) pursuant to the requirements of the relevant laws, regulations and policies.

### 3. CONSIDERATION

The consideration of the Equity Transfer Agreement is approximately RMB387.39 million (equivalent to approximately HK\$440.04 million), which will be satisfied by the offsetting of the indebtedness owed/accounts payable by Huludao Zinc to MCC Huludao.

The parties to the Equity Transfer Agreement have engaged Liaoning Guoyoudazheng Assets Appraisal Co.,Ltd.(遼寧國友大正資產評估有限公司) (“**Guoyoudazheng**”), an independent valuer registered with Department of Finance of Liaoning Province (遼寧省財政廳), to perform an independent valuation of Xizang Huayi to be acquired by MCC Huludao. In accordance with the relevant PRC laws and regulations relating to the management of state-owned assets, the consideration under the Equity Transfer Agreement is required to be determined based on the appraised value of Xizang Huayi by a certified valuer registered in the PRC. Accordingly, the consideration of the acquisition of the entire equity interest in Xizang Huayi was arrived at based on the appraised value of Xizang Huayi as reported by Guoyoudazheng and after arm’s length negotiations between the parties and on normal commercial terms.

The appraised value and the unaudited consolidated net book value of Xizang Huayi as at 30 June 2009 are approximately RMB395.06 million (equivalent to approximately HK\$448.75 million) and -RMB16.75 million (equivalent to approximately -HK\$19.03 million), respectively, as set out in the assets valuation report prepared by Guoyoudazheng and the unaudited consolidated financial statements of Xizang Huayi. Before consolidation, the audited net book value of Xizang Huayi as at 30 June 2009 is approximately RMB6.53 million (equivalent to approximately HK\$7.42 million). The appraised value of Xizang Huayi has been derived based on the integrated replacement cost method. The difference between the value of the appraised value and the unaudited net book value of Xizang Huayi is mainly attributable to a revaluation gain in the intangible assets, namely the exploration and mining rights, of Xizang Huaxia Mining Co., Ltd.(西藏華夏礦業有限公司) (“**Xizang Huaxia**”), a non-wholly owned subsidiary of Xizang Huayi in which it holds 55% equity interests.

#### **4. INFORMATION ON XIZANG HUAYI**

Xizang Huayi was incorporated in the PRC in 2003. Huludao Zinc acquired the entire equity interest in Xizang Huayi in 2007 for a total consideration of approximately RMB234 million (equivalent to approximately HK\$265.8 million). The principal business of Xizang Huayi is the processing and sale of mineral products and the sale of machinery parts and building materials. Xizang Huaxia is a company incorporated in the PRC with principal business of mining, processing, marketing of mineral products and mineral and geological survey and exploration.

Based on the unaudited consolidated financial statements prepared in accordance with the PRC's Accounting Standards for Business Enterprises for the financial year ended 31 December 2008, Xizang Huayi had net losses before and after taxation and extraordinary items both in the amount of approximately RMB36.02 million (equivalent to approximately HK\$40.92 million). According to the unaudited consolidated financial statements prepared in accordance with the PRC's Accounting Standards for Business Enterprises for the financial year ended 31 December 2009, Xizang Huayi had net profits before and after taxation and extraordinary items both in the amount of RMB2.46 million (equivalent to approximately HK\$2.79 million).

#### **5. REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Company is of the view that the acquisition of the entire equity interest in Xizang Huayi from Huludao Zinc has the strategic importance in that the acquisition will facilitate the establishment by MCC Huludao of its own raw materials base, the perfection of its zinc and lead smelting operation chain and the increase of its risk resistance and economic efficiency, which will be beneficial to its long-term development.

## **6. LISTING RULES IMPLICATIONS**

As at the date of this announcement, Huludao Zinc is a substantial shareholder of MCC Huludao, a non-wholly owned subsidiary of the Company, holding approximately 22.36% equity interests in its registered capital. As such, Huludao Zinc is a connected person of the Company and the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules.

As certain applicable percentage ratio(s) (as defined in rule 14.07 of the Listing Rules) with respect to the Connected Transaction are greater than 0.1% and less than 2.5%, the Connected Transaction falls within rule 14A.32 of the Listing Rules and is therefore exempt from the independent Shareholders' approval requirements. The Connected Transaction is only subject to the reporting and announcement requirements set out under rules 14A.45 to 14A.47 of the Listing Rules.

The Directors (including the independent non-executive Directors) confirm that the Connected Transaction has been carried out in the ordinary and usual course of business of the Company and on normal commercial terms which are fair and reasonable and in the interests of the Shareholders as a whole.

## **7. GENERAL**

The Company is a large industrial group operating in various specialised fields, across different industries and in many countries, with engineering and construction, resources development, equipment manufacturing and property development as its principal business. The Company has core competency in innovation and industrialisation of technology and strong construction capabilities in metallurgical engineering.

MCC Huludao has the capabilities to smelt zinc, lead and copper. With an output of 349,600 tons of zinc products in 2008, it is one of the largest zinc smelting enterprises in Asia.

Huludao Zinc is a state-owned enterprise owned by the State-owned Assets Supervision and Administration Commission of Liaoning Province. Its principal business activities include production logistics services and production and sales of products from comprehensive utilisation of waste materials.

## 8. DEFINITIONS

- “Board” means the board of directors of the Company;
- “Company” means 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 and, except where the context otherwise requires, all of its subsidiaries;
- “Connected Transaction” means the transaction contemplated under the Equity Transfer Agreement;
- “Directors” means director(s) of the Company, including all executive, non-executive and independent non-executive directors;
- “Equity Transfer Agreement” means the equity transfer agreement dated 15 January 2010 entered into between Huludao Zinc as seller and MCC Huludao as purchaser in relation to the sale and purchase of 100% equity interest in Xizang Huayi;
- “Hong Kong” means Hong Kong Special Administrative Region of the People’s Republic of China;
- “Hong Kong Stock Exchange” means The Stock Exchange of Hong Kong Limited;
- “Listing Rules” means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
- “Macau” means the Macau Special Administrative Region of the People’s Republic of China;
- “PRC” means the People’s Republic of China, but for the purposes of this document only, excludes Hong Kong, Macau and Taiwan;

“RMB” means Renminbi, the lawful currency of the PRC; and  
“Shareholders” means shareholders of the Company.

By order of the Board of Directors  
**Metallurgical Corporation of China Ltd.\***  
**Liu Benren**  
*Chairman*

Beijing, the PRC  
15 January 2010

*As at the date of this announcement, the Board of Directors of the Company comprises two executive Directors, Wang Weimin and Shen Heting; two non-executive Directors, Liu Benren and Guo Wenqing; and five independent non-executive Directors, Jiang Longsheng, Wen Keqin, Liu Li, Chen Yongkuan and Cheung Yukming.*

*The informal translation or transliterations of Chinese formal names are for reference only. For illustration purpose only, the figures in RMB referred to in this announcement have been translated into Hong Kong dollars on the basis of an assumed exchange rate of RMB1.00 = HK\$ 1.1359.*

\* *For identification purpose only*