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中鋁國際工程股份有限公司

China Aluminum International Engineering Corporation Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2068)

**CONNECTED TRANSACTION
ACQUISITION OF EQUITY INTEREST IN KUNMING INSTITUTE**

ENTERING INTO THE ACQUISITION AGREEMENT

On 27 November 2022, the Company entered into the Acquisition Agreement with Yunnan Metallurgical Group, pursuant to which, the Company agreed to acquire and Yunnan Metallurgical Group agreed to sell 67% equity interest in Kunming Institute held by it at the consideration of RMB47,131,271.54. Upon completion of the Acquisition, Kunming Institute will become a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chinalco directly and indirectly holds 77.16% of the existing issued share capital of the Company and is the controlling shareholder of the Company and thus a connected person of the Company. Meanwhile, Chinalco holds 72.92% of the shares in the total issued share capital of China Copper Co., Ltd. and China Copper Co., Ltd. holds 99.99% of the shares in the total issued share capital of Yunnan Metallurgical Group, therefore Chinalco is the controlling shareholder of Yunnan Metallurgical Group. Therefore, for the purpose of Chapter 14A of the Listing Rules, Yunnan Metallurgical Group is deemed to be a connected person of the Company, as such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Acquisition is higher than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 27 November 2022, the Company entered into the Acquisition Agreement with Yunnan Metallurgical Group. Details of the principal terms and conditions in respect of the Acquisition are set out as follows:

ACQUISITION AGREEMENT

Date

27 November 2022

Parties

- (1) The Company, as the Purchaser
- (2) Yunnan Metallurgical Group, as the Vendor

INTERESTS TO BE ACQUIRED

67% equity interest in Kunming Institute (currently held by Yunnan Metallurgical Group). Upon completion of the Acquisition, Kunming Institute will become a subsidiary of the Company.

THE CONSIDERATION AND PAYMENT TERMS

Within 5 days from the effective date of the Acquisition Agreement, the Company will pay the equity transfer price of RMB47,131,271.54 in a lump sum.

BASIS OF DETERMINATION OF THE CONSIDERATION

China Alliance issued a valuation report in respect of the Acquisition based on the asset-based approach. According to the valuation report, the valuation benchmark date was 31 March 2022, the book value of the total shareholders' interest in Kunming Institute was RMB-118,721,016.99, the appraised value of total shareholders' interest was RMB70,345,181.41 and the valuation appreciation as compared to the book value of the valuation subject was RMB189,066,198.40, representing an appreciation rate of 159.25%. The main reason for valuation appreciation was the valuation appreciation of investment properties and a majority of investment properties of Kunming Institute was obtained from self-construction which were mainly built between 1970s and 1990s with an earlier completion time and minimal carrying costs, resulting in a significant price increment of the property market in general on the valuation benchmark date. Moreover, the investment properties of Kunming Institute were measured using the cost model and the net carrying amount was the depreciated balance of the assets.

Based on the above valuation results and after arm's length negotiations between Yunnan Metallurgical Group and the Company, the consideration for the proposed acquisition of 67% equity interest in Kunming Institute by the Company was 67% x RMB70,345,181.41, being RMB47,131,271.54.

In the valuation report issued in respect of the Acquisition by China Alliance based on the asset-based approach, the carrying valuation of Kunming Kehui, a wholly-owned subsidiary of Kunming Institute, is extracted from a valuation report separately prepared in respect of Kunming Kehui by it, and such report is prepared based on the income approach. Therefore, such valuation of Kunming Kehui constitutes a profit forecast under the Listing Rules. WUYIGE, the auditor of the Company, has reported on the accounting policies used/calculation methods of discounted future cash flow in the valuation report of Kunming Kehui. In respect of such calculation methods, the accounting policies/discounted cash flow have been duly compiled in accordance with the basis and assumptions adopted in all material aspects.

After reviewing the valuation report and taking into account (i) China Alliance has prepared the valuation report based on the procedures, standards, laws and regulations of the PRC on valuation; (ii) China Alliance has reviewed the financial data, operating data and other relevant data in relation to Kunming Kehui to understand such company comprehensively; and (iii) the reasons for adopting the income approach in the valuation, methods and assumptions adopted by the valuer, valuation scope and valuation results, the Directors believe that such valuation results reflect the value of Kunming Kehui and are fair and reasonable.

WUYIGE has reviewed the accounting policies used/the calculation methods of discounted future cash flow in the valuation report of Kunming Kehui. The Board has confirmed that the profit forecast (including the assumptions) set out in the valuation report of Kunming Kehui is made after due and careful enquiries.

The letters issued by WUYIGE and the Board are set out in Appendix I and Appendix II of this announcement.

Pursuant to Rule 14.62(1) of the Listing Rules, the principal assumptions for preparing the valuation report are set out as below:

I. General assumptions

- 1 Transaction assumption: assuming that all assets to be appraised are in the process of transaction, and the valuer conducts the valuation according to simulated market conditions such as trading conditions of the assets to be appraised.
- 2 Open market assumption: assuming that the parties to the asset transaction or the proposed asset transaction in the market are in equal position and have opportunities and time to obtain sufficient market information, so as to make a rational decision in respect of the function, usage and transaction price of the assets.
- 3 Enterprise continuous operation assumption: assuming that the appraised entity fully complies with all relevant laws and regulations, and the enterprise will operate on an on-going concern in the foreseeable future.

II. Special assumptions

- 1 The specific purposes of valuation stated in the asset valuation report form the basic assumptions to which the valuation is subject;
- 2 There shall be no significant changes in the relevant laws and regulations prevailing in the State and the macroeconomic situation of the State, and there shall be no unforeseeable significant change in the external economic environment such as interest rates, exchange rates, tax bases and tax rates, and policy-based levies, etc;
- 3 The valuation assumes that the future management team of the appraised entity will conduct themselves on a best-effort basis, and continue to adopt its current model of operations and management, and continues to maintain its existing operation and management model;
- 4 The valuation assumes that the appraised assets will continue to be used in accordance with the current use and the mode, scale, frequency and environment of use;
- 5 Assuming that there is no other unpreventable or unforeseeable element that will cause material and adverse effects on the enterprise on the basis of the current management methods and management standards adopted by such company;
- 6 Assuming that the relevant basic information and financial information provided by the appraised entity and the principal are true, accurate and complete;
- 7 The financial reports and transaction data of the comparable companies that are relied upon by the valuer are true and reliable;
- 8 The scope of the valuation is subject to the declarations for valuation provided by the principal and the appraised entity, without taking into account the possible contingent assets or contingent liabilities that are not included in the list provided by the principal and the appraised entity;
- 9 The valuation assumes that the enterprise will have a balanced net cash flow during the year.

QUALIFICATIONS OF EXPERTS AND CONSENTS

The qualifications of the experts who have given their statements in this announcement are as follows:

Name	Qualification
WUYIGE China Alliance	Auditor A qualified valuer in the PRC

To the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, each of WUYIGE and China Alliance is a third party independent of the Group and its connected persons and as at the date of this announcement:

- a) None of them has any shareholding in any member of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate others to subscribe for securities of any member of the Group.
- b) The above experts have given and have not withdrawn their written consents to the issue of this announcement with their statement included in the form and context in which it respectively appears.
- c) None of them has any interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited annual financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

INFORMATION ON KUNMING INSTITUTE

Kunming Institute was incorporated on 2 June 1994. Its principal businesses include mine consulting, design, smelting, construction, municipal and engineering contracting, etc.

As at the date of this announcement, Yunnan Metallurgical Group holds 67% equity interest in Kunming Institute. Kunming Institute is a subsidiary of Yunnan Metallurgical Group.

Set out below is the key combined financial information of Kunming Institute for the two financial years ended 31 December 2021 and 2020 and the three months ended 31 March 2022 prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the three months ended 31 March 2022
	<i>RMB' 000</i>	<i>RMB' 000</i>	<i>RMB' 000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue	1,691,872	550,527	38,096
Profit before tax	11,353	-180,155	69,181
Profit after tax	10,309	-179,539	69,090
Net assets	161,496	-152,838	-83,076

REASONS FOR AND BENEFITS OF THE ACQUISITION

As the only Grade A design institute in the metallurgical industry in Yunnan Province, Kunming Institute possesses relevant qualifications of engineering consultancy and engineering design throughout the metallurgical industry and the corresponding qualifications of engineering general contracting for domestic and foreign projects, and it maintains good cooperation relationship with renowned mineral groups in Yunnan Province. Upon officially joining the Company, Kunming Institute will establish cooperative and mutually supportive relationship with Kunming Survey and Design Institute and Guiyang Institute, the subsidiaries of the Company, in the southwestern regions, so as to provide mutual support and quickly establish its position and influence in the design and engineering contracting sector of the metallurgical industry in the region, as a result, this will enhance the competitiveness of the Company in the design market of non-ferrous metallurgy industry, expand the business development direction of the Company and optimise the layout of supply chain of the Company, which will be in line with the needs of strategic and operational development of the Company and the interests of Shareholders.

Upon integration, Kunming Institute will base in Yunnan, face the western regions and radiate South and South-eastern Asia through the platforms of the Company. Leveraging on the geographical advantage of Yunnan, Kunming Institute will optimize and enhance consultancy design, specialize and refine engineering general contracting, expand into and innovate emerging industries, make solid efforts and optimize overseas construction and extend the production technology management services, so as to achieve sustainable and quality development of the enterprise.

Having considered the above factors, the Directors (including the independent non-executive Directors) are of the view that, although the Acquisition contemplated under the Acquisition Agreement is not conducted in the ordinary and usual course of business of the Group, the Acquisition Agreement is entered into on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION

The Company

The Company is a leading technology, engineering service and equipment provider in the nonferrous metals industry in the PRC, capable of providing full business-chain integrated engineering solutions for various stages in the nonferrous metals industry chain. The Group is primarily engaged in engineering design and consultancy, engineering and construction general contracting, equipment manufacturing and trading.

Yunnan Metallurgical Group

Yunnan Metallurgical Group is a joint stock limited company incorporated in the PRC on 19 October 1990, and its principal businesses include production and manufacturing of mineral products and metallurgical products as well as contracting of overseas non-ferrous metallurgical projects and domestic international bidding projects, contracting of survey, consultation, design and supervision projects of the above overseas projects. 99% of the share capital of Yunnan Metallurgical Group is held by China Copper Co., Ltd. (中國銅業有限公司), a subsidiary of Chinalco, while 0.01% of its share capital is held by Yunnan Construction Materials Co., Ltd. (雲南省建設物資有限公司). To the best knowledge of the Company after making reasonable enquiries, the ultimate beneficial owner of Yunnan Metallurgical Group is the State-owned Assets Supervision and Administration Commission of the State Council.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chinalco directly and indirectly holds 77.16% of the existing issued share capital of the Company and is the controlling shareholder of the Company and thus a connected person of the Company. Meanwhile, Chinalco holds 72.92% of the shares in the total issued share capital of China Copper Co., Ltd. and China Copper Co., Ltd. holds 99.99% of the shares in the total issued share capital of Yunnan Metallurgical Group, therefore Chinalco is the controlling shareholder of Yunnan Metallurgical Group. Therefore, for the purpose of Chapter 14A of the Listing Rules, Yunnan Metallurgical Group is deemed to be a connected person of the Company, as such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Acquisition is higher than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board has considered and passed the resolution in respect of the Acquisition Agreement and the transactions contemplated thereunder. As Mr. HU Zhenjie, Mr. ZHOU Xinzhe and Mr. ZHANG Wenjun, being the Directors of the Company, hold positions in Chinalco and its subsidiaries and therefore have material interests in the above transactions, they have abstained from voting on the above resolution. Save as the above-mentioned persons, none of the other Directors has interests in the above transaction.

CONFIRMATION OF DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that, although the Acquisition contemplated under the Acquisition Agreement is not conducted in the ordinary and usual course of business of the Group, the Acquisition Agreement is entered into on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

“Acquisition”	the acquisition of 67% equity interest in Kunming Institute held by Yunnan Metallurgical Group from Yunnan Metallurgical Group by the Company
“Acquisition Agreement”	the agreement entered into between the Company and Yunnan Metallurgical Group on 27 November 2022, pursuant to which, the Company agreed to acquire and Yunnan Metallurgical Group agreed to sell 67% equity interest in Kunming Institute held by it
“Board”	the board of Directors of the Company
“China Alliance”	China Alliance Appraisal Co., Ltd. (北京中同華資產評估有限公司)
“Chinalco”	Aluminum Corporation of China Limited (中國鋁業集團有限公司), a wholly state-owned enterprise established in the PRC and the controlling shareholder of the Company, holding directly and indirectly 77.16% of the issued share capital of the Company as at the date of this announcement
“Company”	China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司)
“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 director(s) of the Company
“Guiyang Institute”	Guiyang Aluminum & Magnesium Design Institute Co., Ltd. (貴陽鋁鎂設計研究院有限公司), a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kunming Institute”	Kunming Nonferrous Metallurgy Design and Research Institute Company (昆明有色冶金設計研究院股份公司), a subsidiary of Yunnan Metallurgical Group

“Kunming Kehui”	Kunming Kehui Electric Co., Ltd. (昆明科匯電氣有限公司), a subsidiary of Kunming Institute
“Kunming Survey and Design Institute”	Kunming Survey and Design Institute Co., Ltd. of China Nonferrous Metals Industry (中國有色金屬工業昆明勘察設計研究院有限公司), a wholly-owned subsidiary of the Company
“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 Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholders of the Company
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“WUYIGE”	WUYIGE Certified Public Accountants LLP, the auditor of the Company
“Yunnan Metallurgical Group”	Yunnan Metallurgical Group Co., Ltd. (雲南冶金集團股份有限公司), a subsidiary of Chinalco
“%”	per cent

By Order of the Board
China Aluminum International Engineering Corporation Limited
ZHANG Jian
Company Secretary

Beijing, the PRC, 27 November 2022

As at the date of this announcement, the non-executive Directors are Mr. HU Zhenjie, Mr. ZHOU Xinzhe and Mr. ZHANG Wenjun; the executive Directors are Mr. LI Yihua, Mr. LIU Jing and Mr. LIU Ruiping; and the independent non-executive Directors are Mr. GUI Weihua, Mr. SIU Chi Hung and Mr. TONG Pengfang.



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REPORT FROM WUYIGE CERTIFIED PUBLIC ACCOUNTANTS. LLP ON THE CALCULATIONS OF THE DISCOUNTED CASH FLOWS IN RELATION TO THE VALUATION OF KUNMING KEHUI ELECTRIC CO., LTD.

AUDITORS' ASSURANCE REPORT ON THE CALCULATIONS OF THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE EQUITY INTEREST IN KUNMING KEHUI ELECTRIC CO., LTD (THE "KEHUI ELECTRIC" OR THE "TARGET COMPANY"), A SUBSIDIARY OF KUNMING ENGINEERING & RESEARCH INSTITUTE OF NONFERROUS METALLURGY CO., LTD. (THE "KUNMING INSTITUTE").

TO THE BOARD OF DIRECTORS OF CHINA ALUMINUM INTERNATIONAL ENGINEERING CORPORATION LIMITED:

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the valuation (the "Valuation") dated 9 November 2022 prepared by China Alliance Appraisal Co., Ltd. (北京中同華資產評估有限公司) in respect of the appraisal of the fair value of the entire equity interests in Kehui Electric is based. The Valuation is based on the discounted future estimated cash flows of Kehui Electric and is used as the appraised value of the long-term equity investment in Kehui Electric held by Kunming Institute. At the same time, the Company's acquisition of the 67% equity interests of Kunming Institute from Yunnan Metallurgical Group Co., Ltd. forms a connected transaction. The Valuation is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows of the Target Company in accordance with the bases and assumptions determined by the directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence

We comply with the independence and other ethical requirements under the Quality Control Standards of Accounting Firms No. 5101 – Business Quality Control (《會計師事務所質量控制準則第5101號－業務質量控制》), which are formulated based on the fundamental principles of integrity, objectivity, professional competence, prudence, confidentiality and compliance with professional code of ethics.



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Responsibility of the Auditors

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows of the Target Company on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We performed the procedures in accordance with the Standards on Other Assurance Engagements for Certified Public Accountants of China No. 3111 – Review of Forecasted Financial Information (《中國註冊會計師其他鑒證業務準則第3111號—預測性財務信息的審核》). This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in the Valuation. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions. This audit is substantially less in scope than that specified in the Auditing Standards for the Certified Public Accountants of China. Accordingly, we do not express an audit opinion.

As the Valuation relates to discounted future cash flows, the preparation of discounted future cash flows does not involve in the adoption of any accounting policies of the Company. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows of the Target Company, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out in the Valuation.

Yours faithfully,
WUYIGE Certified Public Accountants. LLP

Senior Partner



中鋁國際工程股份有限公司

China Aluminum International Engineering Corporation Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

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To the Shareholders

LETTER FROM THE BOARD

Dear Sir or Madam,

CONNECTED TRANSACTION – ACQUISITION OF EQUITY INTEREST IN KUNMING INSTITUTE

We hereby refer to the valuation report dated 9 November 2022 prepared by China Alliance Appraisal Co., Ltd. (北京中同華資產評估有限公司) (the “**Independent Valuer**”) in relation to the valuation conducted with 31 March 2022 as the valuation benchmark date about the total shareholders’ interest of Kunming Nonferrous Metallurgy Design and Research Institute Company (昆明有色冶金設計研究院股份公司) (“**Kunming Institute**”) (the “**Valuation**”). As the income approach is adopted in the carrying valuation of Kunming Kehui, a wholly-owned subsidiary of Kunming Institute, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, Rule 14.60A and Rule 14.62 of the Listing Rules are applicable.

We have discussed with the Independent Valuer about all aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report issued by WUYIGE Certified Public Accountants LLP, our reporting accountant, regarding whether the Valuation was compiled properly so far as the calculation methods are concerned.

In accordance with the requirements of Rule 14.62(3) of the Listing Rules, the Board confirmed that such profit forecast has been made after due and careful enquiries by the Directors.

By Order of the Board
China Aluminum International Engineering Corporation Limited
ZHANG Jian
Company Secretary