

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.



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)

**ANNOUNCEMENT
CONNECTED TRANSACTION AND MAJOR TRANSACTION
IN RELATION TO RENEWAL OF
FINANCIAL SERVICES AGREEMENT**

The board of directors (the “**Board**”) of China Aluminum International Engineering Corporation Limited (the “**Company**”) hereby announces that a meeting of the Board of the Company was held on Monday, 29 March 2021 for the purposes of considering and approving the following matters in connection with the Company and its subsidiaries:

RENEWAL OF THE FINANCIAL SERVICES AGREEMENT

Background

Reference is made to the Company’s announcement dated 27 August 2018, circular dated 5 November 2018 and poll results announcement for the extraordinary general meeting dated 26 November 2018. Upon consideration and approval by the 2018 second extraordinary general meeting of the Company, the Company and Chinalco Finance renewed the financial services agreement (the “**Financial Services Agreement**”), pursuant to which Chinalco Finance may provide the Company and its subsidiaries (the “**Group**”) with deposit services, settlement services, credit lending services and miscellaneous financial services. The agreement came into effect upon consideration and approval by the 2018 second extraordinary general meeting. Since the renewal of the Financial Services Agreement, both parties achieved steady business growth and remarkable financial performance based on the principles of equality, mutual benefit, openness and transparency. In order to further enhance their cooperation in financial services, meet the Company’s business needs, at the same time strengthen supervision over funds of the subsidiaries by utilising the Chinalco Finance platform and to ensure the safety of the Company’s funds, the Company hereby proposes to enter into a new financial services agreement (the “**New Financial Services Agreement**”) with Chinalco Finance for a term of three years from the date of approval by the general meeting. The original agreement will be terminated accordingly after the new agreement is concluded and becomes effective.

New Financial Services Agreement

Date

29 March 2021

Parties

- (1) Chinalco Finance, as the service provider;
- (2) the Company, as the service recipient

Principal terms

The financial services proposed to be provided by Chinalco Finance to the Group include deposit services (the “**Deposit Services**”), settlement services (the “**Settlement Services**”), credit lending services (the “**Credit Lending Services**”), factoring services (the “**Factoring Services**”) and miscellaneous financial services (the “**Miscellaneous Financial Services**”).

The New Financial Services Agreement shall be effective from the date the ordinary resolution in respect of the renewal of the Financial Services Agreement is passed at the Company’s general meeting and the agreement is executed by the parties thereto, for a term of three years.

Chinalco Finance undertakes to provide high-quality and efficient financial services to the Company in order to safeguard the security of financial assets of the Company and to adopt proper mitigation measures. During the term of the New Financial Services Agreement, in respect of the Deposit Services provided under the New Financial Services Agreement, the Group’s daily deposit balance (including any interest accrued thereon) with Chinalco Finance shall not exceed RMB6 billion and the daily loan balance provided by Chinalco Finance to the Group shall not exceed RMB8 billion, while the limit of the Factoring Services provided daily by Chinalco Finance to the Company shall not exceed RMB2 billion and the total fees of the Miscellaneous Financial Services in the three years shall not exceed RMB10 million.

In order to safeguard the security of the Company’s financial assets, as provided by regulatory authorities, Chinalco Finance shall give a written notice to the Company within 2 working days and adopt measures to prevent occurrence of damage or its increase if:

- (1) Material events, including bank runs, incapable of settling due significant indebtedness, overdue of significant loan or advance in significant guarantees, involvement of criminal cases by directors or senior managements, occur;
- (2) Material institutional changes or operational risks, which affect or may affect the normal operations of Chinalco Finance, occur;
- (3) Liabilities of Chinalco Finance have been outstanding for over 6 months by Chinalco Finance’s shareholders;

- (4) Any gearing ratio indicator of Chinalco Finance has not complied with the requirement of the Measures for the Administration of Finance Companies of Enterprise Groups (企業集團財務公司管理辦法);
- (5) Material situations, including administrative penalty imposed and rectification ordered by regulatory authorities such as the CBIRC, occur in Chinalco Finance;
- (6) Other matters, which may create significant safety concerns to the Company's deposits, occur.

Where the above circumstances occur, Chinalco Finance shall actively adjust the balance sheet to ensure the security of the assets of the Company. In addition, in the event of emergencies such as payment difficulties of Chinalco Finance, according to the Measures for the Administration of Finance Companies of Enterprise Groups and the articles of association of Chinalco Finance, Chinalco (as the parent company of Chinalco Finance) shall increase the capital of Chinalco Finance correspondingly, in response to the actual need of addressing the payment issue.

Historical amounts under the Financial Services Agreement (RMB million)

	2019	2020
Maximum daily deposit balance for the year	2,798	2,797

Note: The maximum daily deposit balance (including any interest accrued thereon) during the period did not exceed the proposed cap of RMB2.8 billion.

Proposed annual caps under the New Financial Services Agreement (RMB million)

	2021	2022	2023
Daily deposit balance (including any interest accrued thereon)	6,000	6,000	6,000
Daily loan balance (including any interest accrued thereon)	8,000	8,000	8,000
Daily Factoring Services	2,000	2,000	2,000
Miscellaneous Financial Services	3.4	3.3	3.3

Basis for the determination of annual caps

Deposit Services

In determining the above proposed caps of the Deposit Services, the Company has taken into account the growing business of the Group and the anticipated increase in the daily balances of deposits of the Group. In addition, the Company has taken into account the fact that Chinalco Finance is under the supervision of the CBIRC and has been maintaining satisfactory operating results and financial position which complied with the gearing ratio indicator as provided in the Measures for the Administration of Finance Companies of Enterprise Groups with good risk control and well-regulated management in its track record. The safety standards

of its settlement system reach the standards of domestic commercial banks. The collaboration between the Group and Chinalco Finance can reduce finance costs, increase the interest income of deposits, and lower settlement costs and credit risks.

Deposit transactions form part of the daily operations of the Group. The commercial terms (including the interest rates) offered by Chinalco Finance in respect of such transactions are no less favourable than those offered by domestic commercial banks for the provision of similar services to the Group. The Directors are of the view that the deposit transactions do not have any impact on the assets and liabilities of the Group. Instead, the Group can earn interests from the deposit transactions. The cooperative relationship between the Group and Chinalco Finance was a non-exclusive cooperative relationship. The Group has deposited the remaining cash with several other independent financial institutions. Chinalco Finance has undertaken the security of the deposits of the Group and the provision of proper mitigation measures, and it shall pay the amount in full in a timely manner when such fund demand is raised by the Group. Accordingly, the Company considers that placing deposits with Chinalco Finance allows the Group to have lower risk exposure and to enjoy a higher level of security than placing the deposits with other independent financial institutions.

Settlement Services

Since the Settlement Services provided by Chinalco Finance to the Group are free of charge, the Settlement Services are exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules. As such, no cap has been set for the Settlement Services.

Credit Lending Services

Since the Credit Lending Services provided by Chinalco Finance to the Group are on normal commercial terms and on terms that are no less favourable than those offered by independent third parties to us for comparable services in the PRC, and no assets will be provided by the Group as security over the Credit Lending Services, the Credit Lending Services are exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Factoring Services

Chinalco Finance is under the supervision of the CBIRC and has been maintaining satisfactory operating results and financial position in its track record. Taking into account the fact that the Company actually requires the Factoring Services, the Factoring Services has been supplemented in the New Financial Services Agreement. The Company confirms that the Factoring Services will be on normal commercial terms and on terms that are no less favourable than those offered by independent third parties to us for comparable services in the PRC.

Miscellaneous Financial Services

Apart from the Deposit Services, the Settlement Services, the Credit Lending Services and the Factoring Services, Chinalco Finance may also, within its business scope, provide entrusted loans and Miscellaneous Financial Services (including exchange settlement, financial advisory, entrusted investment, etc.) to the Group. The Company confirms that there will not be any provision of financial assistance by the Company to Chinalco Finance under these arrangements. The Miscellaneous Financial Services provided under the New Financial Services Agreement will be on normal commercial terms and on terms that are no less favourable than those offered by independent third parties to us for comparable services in the PRC.

As each of the percentage ratios of the total fees payable by the Group to Chinalco Finance in respect of the Miscellaneous Financial Services falls below the de minimis threshold for exemption as stipulated under Rule 14A.76 of the Listing Rules, the Miscellaneous Financial Services are exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

Pricing policy

Chinalco Finance has undertaken to provide the above financial services to the Group based on the following pricing policies:

- (1) **Deposit Services:** The interest rate for the Group's deposit with Chinalco Finance shall not be lower than (i) the benchmark interest rate centrally published by the PBOC from time to time for similar deposits with similar terms, (ii) the interest rate offered by major commercial banks (including but not limited to Bank of China, China Construction Bank, Industrial and Commercial Bank of China and Agricultural Bank of China) in the PRC for similar deposits with similar terms, and (iii) the interest rate offered by Chinalco Finance to Chinalco and its group companies for similar deposits with similar terms;
- (2) **Settlement Services:** The Settlement Services provided by Chinalco Finance to the Group are free of charge;
- (3) **Credit Lending Services:** Chinalco Finance undertakes to provide favourable interest rates for loans extended to the Group, which shall not be higher than (i) the benchmark interest rate centrally published by the PBOC from time to time for similar loans with similar term, and (ii) the interest rate charged by major commercial banks in China for similar loans with similar terms;
- (4) **Costs of the Factoring Services** that Chinalco Finance undertakes to provide to the Group are not higher than the similar costs of major factoring companies in China; and
- (5) **Miscellaneous Financial Services:** The fee rate charged by Chinalco Finance for Miscellaneous Financial Services shall comply with the fee standards prescribed by the PBOC or the CBIRC, and shall not be higher than the fee rate charged by major commercial banks in China for similar services.

Reasons for and benefits of the transactions

- (1) Chinalco Finance provides the Group with an alternative to securing loans from other financial institutions, which will in turn enhance the liquidity within the Group, strengthen the overall solvency of the Group, and assist to monitor the financial risks. The Company will deposit part of its funds with Chinalco Finance, which will provide financing support to the Company's subsidiaries through operating loans subject to compliance with the limits for such loans (placing deposits with Chinalco Finance by the Company does not constitute a guarantee or security over borrowings obtained by the subsidiaries of the Company from Chinalco Finance). Such arrangements will resolve the liquidity demands of individual subsidiaries of the Company and enable the Company to centralise its management of the Group's credit limits and loan targets through Chinalco Finance; and the Group uses Chinalco Finance as a vehicle to manage its funds, thus facilitating a more efficient deployment of funds between members of the Group. The Directors believe that the major purpose for the Group to place deposits with Chinalco Finance is to settle intra-group transactions through the favorable policy of free-of-charge Settlement Services from Chinalco Finance;
- (2) The interest rates on the Deposit Services offered by Chinalco Finance to the Group and the handling charges related to the Miscellaneous Financial Services (as the case may be) shall be no less favourable than those offered by any independent third party to the Group;
- (3) The Settlement Services through Chinalco Finance will strengthen the Company's centralised management of its subsidiaries' capital and reduce the time for capital transfer, which is beneficial in reducing the amount of settlement capital required to be kept by the Company and its subsidiaries, thereby releasing more capital for turnover;
- (4) The arrangements under the New Financial Services Agreement will help save financial costs, so as to increase the profitability of the Group;
- (5) Chinalco Finance, which is regulated by the PBOC and the CBIRC, lawfully holds the "Financial Licenses (金融許可證)" and provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities. In this connection, Chinalco Finance has been regularly filing with the CBIRC. As such, Chinalco Finance has relatively controllable risk exposure and has not received any non-compliance notice or been imposed of any penalty from the CBIRC since its establishment;
- (6) There are additional risk control measures to be implemented by the Group, such as (a) regularly checking online bank statements for deposits placed with Chinalco Finance; (b) requiring Chinalco Finance to issue monthly deposit transaction record statements to the Group so that the Group can timely monitor the safety of its deposit and reconcile any difference (if any); and (c) requiring Chinalco Finance to provide copies of its quarterly financial statements to the Group on demand so that the Group can timely monitor the financial status of Chinalco Finance; and

- (7) The Group needs to obtain the most favourable terms for loans in order to reduce the Group's interest expense and/or collateral exposure. In this connection, the outstanding loans balance to be advanced by Chinalco Finance at competitive terms to the Group will be directly proportional to the daily deposit balance as placed by the Group with Chinalco Finance because the higher the daily deposit balance, the higher amount of loan to be advanced by Chinalco Finance and thus Chinalco Finance may provide loans to the Group at a lower interest rate from time to time during the year. The New Financial Services Agreement and the Deposit Services thereunder will help the Group to better utilize and benefit from the financial services provided by Chinalco Finance.

Measures for internal control

The Company has adopted a series of internal control measures, including:

- The Company has adopted and implemented a set of management measures on connected transactions. According to the measures, the office of the Board and the finance department are responsible for collecting and monitoring information on connected transactions, and evaluating the fairness of the transaction terms and the pricing terms;
- The Company has established a detailed list of connected persons. Any transaction, if involving any connected person of the Company, will be reported in a timely manner. Accordingly, the responsible department of the Company may keep track of the amount of connected transactions and ensure that such amount will not exceed the annual caps;
- Prior to the implementation of certain financial services, the principal officers who handle the relevant matters shall submit applications to the finance department, and such applications will only be approved upon preliminary review and final review conducted by the head of the finance department and the chief financial officer of the Company pursuant to the relevant internal control policies of the Group;
- The Directors of the Company have also reviewed and will continue to review the New Financial Services Agreement and the transactions thereunder to ensure that the agreement is entered into on normal commercial terms, and is in the interest of the Company and its Shareholders as a whole;
- The Company has regularly monitored the benchmark interest rate published by the PBOC for similar deposits with similar terms, and the interest rate offered by major commercial banks in the PRC for similar deposits with similar terms, in order to ensure that the deposit interest rate offered by Chinalco Finance is not lower than the deposit interest rates offered by the above independent third parties;
- All continuing connected transactions are reviewed and verified by the independent non-executive Directors on a yearly basis; and
- The Company's audit department is responsible for auditing major connected transactions on a case-by-case basis to ensure the truthfulness, accuracy and completeness of information in the audit report to be submitted to the Board for consideration.

GENERAL INFORMATION

Information of the Company

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

Information of Chinalco

Chinalco is a state-owned enterprise established under the laws of the PRC in 2001. Chinalco is a controlling Shareholder of the Company and directly holds approximately 73.56% of the issued share capital of the Company. Chinalco is principally engaged in mineral resources development, smelting and processing of non-ferrous metals, relevant trading and engineering and technical services. The ultimate beneficial owner of Chinalco is the State-owned Assets Supervision and Administration Commission of the State Council.

Information of Chinalco Finance

Chinalco Finance is a limited liability company incorporated in the PRC in June 2011 with the approval of the CBIRC, which is 100% held by Chinalco. The business scope of Chinalco Finance includes provision of finance services and financing consultancy services, credit reference and related consultancy and agency services to group companies; provision of assistance to group companies in payment and receipt of transaction proceeds; provision of approved insurance agency services; provision of guarantee to group companies; provision of bills acceptance and discounting services to group companies; provision of intra-group entrustment loan services to group companies; provision of loans and financial leasing services to group companies; provision of intra-group transfer and settlement services to group companies and designing of clearing and settlement schemes; provision of deposit services to group companies; and inter-banking lending. The ultimate beneficial owner of Chinalco Finance is Chinalco.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chinalco directly holds 73.56% 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 directly or indirectly holds 100% equity interests of Chinalco Finance, and is a controlling shareholder of Chinalco Finance. Accordingly, Chinalco Finance is deemed to be a connected person of the Company under Chapter 14A of the Listing Rules. As such, the New Financial Services Agreement and the transactions thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Settlement Services provided by Chinalco Finance to the Group under the New Financial Services Agreement will be free of charge and the Miscellaneous Financial Services fall below the de minimis threshold for exemption under Rule 14A.76 of the Listing Rules, the Settlement Services and the Miscellaneous Financial Services are exempt from reporting, announcement and Independent Shareholders' approval requirements of the Rule of 14A.76 of the Listing Rules.

As the Credit Lending Services provided by Chinalco Finance to the Group under the New Financial Services Agreement are on normal commercial terms that are no less favourable than those offered by independent third parties to us for comparable services in the PRC, and no security will be provided by the Group over the Credit Lending Services, the Credit Lending Services are exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

As the highest applicable percentage ratio of the Deposit Services under the New Financial Services Agreement is more than 25% but less than 75%, the Deposit Services constitute major transactions of the Company under Chapter 14 of the Listing Rules and shall be subject to announcement, reporting and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio of the Factoring Services under the New Financial Services Agreement is more than 5% but less than 25%, the Factoring Services constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and shall be subject to announcement and reporting requirements under Chapter 14 of the Listing Rules.

Under Rule 14A.36 of the Listing Rules, any connected person and any Shareholders and their associates who have material interests in the contemplated transactions are required to abstain from voting in respect of the relevant resolutions at the general meeting.

CONFIRMATION OF DIRECTORS

The Board has considered and passed the resolutions of the above transactions. As Mr. LI Yihua, a Director of the Company, holds management positions in subsidiaries of Chinalco and therefore is deemed to have material interests in the above transactions, he has abstained from voting on the above resolutions. Save for Mr. LI Yihua, none of the other Directors has interests in the above transactions.

The Directors are of the view that the New Financial Services Agreement and the transactions thereunder are entered into in the ordinary and usual course of business of the Group and are on normal commercial terms. The terms of the New Financial Services Agreement (including the relevant annual caps) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

A Board committee comprising all of the independent non-executive Directors who are independent of these transactions will be formed (the “**Independent Board Committee**”) to consider the renewal of the Financial Services Agreement and to advise the Shareholders of the Company (excluding Chinalco and its associates, the “**Independent Shareholders**”) in respect of the New Financial Services Agreement. Gram Capital has been appointed as the independent financial adviser (the “**Independent Financial Adviser**”) to advise the Independent Board Committee and the Independent Shareholders in respect of the New Financial Services Agreement.

DESPATCH OF CIRCULAR

A circular containing (among others) (a) further details of the New Financial Services Agreement; (b) the recommendation letter from the Independent Board Committee to the Independent Shareholders; (c) a letter of opinion from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (d) the notice of the extraordinary general meeting will be dispatched in due course. As it takes time to complete certain information to be included in the circular, the Company may dispatch the circular after 15 business days from the publication of this announcement.

DEFINITIONS

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

“Chinalco”	Aluminum Corporation of China (中國鋁業集團有限公司), a state-owned enterprise incorporated under the laws of the PRC and the controlling Shareholder of the Company
“Chinalco Finance”	Chinalco Finance Company Limited (中鋁財務有限責任公司), a limited liability company incorporated under the laws of the PRC
“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
“Group”	the Company and its subsidiaries as at the date of this announcement

“H Share(s)”	the overseas listed foreign invested share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for and traded in Hong Kong dollars and are listed on the Stock Exchange
“Independent Board Committee”	an independent committee of the Board established for the purpose of considering the New Finance Services Agreement and the annual caps thereunder, comprising all independent non-executive Directors who are independent of such New Finance Services Agreement
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Financial Services Agreement and the annual caps thereunder
“Independent Shareholders”	Shareholders of the Company other than Chinalco and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan
“Shareholders”	the holders of Shares
“Share(s)”	the Share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including Domestic Share(s) and H Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“CBIRC”	China Banking and Insurance Regulatory Commission
“Credit Lending Services”	the credit lending services provided by Chinalco Finance to the Group under the Financial Services Agreement, including but not limited to the loan services extended to the Group by Chinalco Finance

“Deposit Services”	the deposit services provided by Chinalco Finance to the Group under the New Financial Services Agreement
“Settlement Services”	the settlement services provided by Chinalco Finance to the Group free of charge under the New Financial Services Agreement
“Miscellaneous Financial Services”	miscellaneous financial services provided by Chinalco Finance to the Group under the New Financial Services Agreement except for the Credit Lending Services, Deposit Services and Settlement Services
“PBOC”	People’s Bank of China

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

Beijing, the PRC, 29 March 2021

As at the date of this announcement, the non-executive director is Mr. LI Yihua; the executive directors are Mr. WU Jianqiang, Mr. LIU Jing and Mr. ZHANG Jian; and the independent non-executive directors are Mr. GUI Weihua, Mr. CHEUNG Hung Kwong and Mr. FU Jun.