

*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  
CONTINUING CONNECTED TRANSACTION AND  
DISCLOSEABLE TRANSACTION IN RELATION TO  
RENEWAL OF THE FACTORING AGREEMENT**

Reference is made to the announcement dated 28 March 2019 and the circular dated 27 May 2019 of China Aluminum International Engineering Corporation Limited (the “**Company**”) in relation to the renewal of the Factoring Cooperation Framework Agreement. As the New Factoring Agreement and the corresponding annual cap would expire on 31 December 2021, the Company renewed the 2021 Factoring Agreement with China Aluminum Business on 27 October 2021. The 2021 Factoring Agreement will be effective from the date of consideration and approval of relevant resolution by the general meeting of the Company and expire on 31 December 2024.

Details of the principal terms and conditions in relation to the 2021 Factoring Agreement are set out as follows:

Date of the Agreement:	27 October 2021
Parties:	The Company  China Aluminum Business (as the factor)
Type of Facility:	Non-recourse and recourse
Subject of the Transaction:	The Company is intended to transfer the Account Receivables under the Elementary Transaction Contracts entered into between the Company and its subsidiaries (the “ <b>Group</b> ”) and the buyer(s) to China Aluminum Business so as to obtain the factoring facility funds from China Aluminum Business. China Aluminum Business agrees on the transfer of the Account Receivables and provides the Company with the factoring services.
Key terms of Factoring:	The Company obtained fund by way of transfer of Account Receivables held by the Company or its holding subsidiaries, in which the Company transferred the Account Receivables held by its own to China Aluminum Business and obtained the factoring facility funds from China Aluminum Business. Upon expiry, the Account Receivables shall be paid by the debtor of the Account Receivables to China Aluminum Business for the transferred Account Receivables, or shall be repurchased by the Company from China Aluminum Business.
Factoring Limit:	The maximum amount of the Account Receivables that the Company could transfer to China Aluminum Business is based on the 2021 Factoring Agreement. The Company is entitled to make application to China Aluminum Business for the transfer of the Account Receivables within the factoring limit during the validity period. Where China Aluminum Business approves and agrees the receipt of such Account Receivables, both parties shall sign a separate “Confirmation Slip for Transfer of Account Receivables”. The transfer of the Account Receivables shall become effective upon the signing of the “Confirmation Slip for Transfer of Account Receivables”.

Factoring Facility Limit  
and Factoring Facility  
Balance:

China Aluminum Business will prepay part of the factoring proceeds to the Company during the transfer of the Account Receivables. The prepaid factoring proceeds shall be the factoring facility limit. When making the application of the factoring facility to China Aluminum Business, the Company shall comply with the factoring facility limit and other conditions of the factoring facility as mutually agreed by both parties. The Company can apply for the factoring facility for multiple times during the validity period for various sums of the Account Receivables, provided that the amount of the factoring facility applied by the Company shall not exceed the factoring facility limit. The application of the factoring facility shall be made within the validity period of the factoring facility limit. The difference between the factoring limit and the factoring facility limit shall be the factoring facility balance, which will be returned to the Company in full by China Aluminum Business within one year after the signing of the 2021 Factoring Agreement.

Entitlement of China  
Aluminum Business  
under the Account  
Receivables:

After the transfer of Account Receivables takes into effect, China Aluminum Business shall obtain the obligations, Security Interests and other non-monetary interests under such Account Receivables, including but not limited to the following unless otherwise provided in writing by both parties:

- (1) Obligations of Account Receivables under the Elementary Transaction Contracts.
- (2) Security Interests under the Credit Supporting Documents.
- (3) Entitlements to demand the payment of Account Receivables by the buyer(s) as the debtor of Account Receivables, including but not limited to the rights to file a lawsuit or litigation directly against the buyer(s) with each measure allowed by the law.
- (4) Entitlements to exercise the rights of a debtor, participate in the liquidation and other similar procedures as the debtor of Account Receivables upon the winding up of the buyer(s).
- (5) Entitlements to transfer, charge Account Receivables again or to endorse the transfer of the negotiable bills under Account Receivables.
- (6) Entitlements to demand the payment of default or compensation by the buyer(s) under the requirements of the Elementary Transaction Contracts upon the buyer's delay of paying the Account Receivables.

- (7) Entitlements to make debts rearrangement, waivers or settlements with the buyer(s).
- (8) Entitlements to exercise the Security Interests related to the Account Receivables as the debtor of the Account Receivables.
- (9) Any other entitlements and indemnities related to Account Receivables that are originally entitled by the Company under the requirements of the law or agreements by the Elementary Transaction Contracts.

Given that the rights transferred under the 2021 Factoring Agreement are only contractual, any liabilities or obligations borne by the Company or related parties under the Elementary Transaction Contracts, including but not limited to contract dispute, product quality dispute, after-sale service, product recall, comprehensive warranties (for repair, replacement and compensation for faulty products), product liability and tortious liability, shall not be transferred with the transfer of Account Receivables and shall still be undertaken by the Company or related persons in charge.

After the 2021 Factoring Agreement takes into effect, China Aluminum Business shall handle registration formalities for the transfer of Account Receivables with Credit Reference Center of The People's Bank of China under the "Measures of Registering the Charge of Account Receivables" of The People's Bank of China or the amended requirements afterwards. The Company is obliged to provide assistance for China Aluminum Business to handle the above-mentioned registration.

Factoring Service Charge and Handling Charge and its Payment Method:

The cost of the factoring services provided by China Aluminum Business shall not be higher than the cost of services of similar nature provided by the independent third party banks or companies which operate factoring business in the PRC. The cost of factoring service mainly includes the factoring charge and handling charge. The handling charge shall be paid upon the first payment of factoring service charge. The factoring charge shall be paid on a quarterly basis.

Pricing Policy:

The factoring service charge and handling charge to be received by China Aluminum Business from the Company shall be subject to the standard charges issued by the People's Bank of China or the China Banking and Insurance Regulatory Commission for similar services from time to time, and shall not be higher than that of services of similar nature provided by the independent third party banks or companies which operate factoring business in the PRC.

Security:

nil

## HISTORICAL DATA

The annual caps for the relevant year under the New Factoring Agreement are as follows:

*Unit: RMB million*

	<b>2019</b>	<b>2020</b>	<b>2021</b>
Factoring Limit	940	940	940
Factoring Service Charge and Handling Charge	<u>60</u>	<u>60</u>	<u>60</u>
Total	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

The used factoring limits for the relevant year under the New Factoring Agreement are as follows:

*Unit: RMB million*

	<b>2019</b>	<b>2020</b>	<b>As of 30 September 2021</b>
Factoring Limit	488	288	145
Factoring Service Charge and Handling Charge	<u>29</u>	<u>17</u>	<u>6.5</u>
Total	<u>517</u>	<u>305</u>	<u>151.5</u>

## PROPOSED ANNUAL CAP UNDER THE 2021 FACTORING AGREEMENT

With reference to the used factoring limit between 2019 and 2021 and the anticipated demand for the funding from China Aluminum Business from 2022 to 2024 by the subsidiaries of the Group, it is estimated that the annual caps for 2022 to 2024 under the 2021 Factoring Agreement are as follows:

*Unit: RMB million*

	<b>2022</b>	<b>2023</b>	<b>2024</b>
Factoring Limit	940	940	940
Factoring Service Charge and Handling Charge	<u>60</u>	<u>60</u>	<u>60</u>
Total	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

## **BASIS FOR DETERMINING THE CAP**

The proposed annual caps for 2022 to 2024 are made by the Company after taking into account of the following principal factors:

- (a) The historical transaction amounts of the factoring services accepted by the Group;
- (b) China Aluminum Business is supervised by the China Banking and Insurance Regulatory Commission and has been maintaining good operating results and financial condition during its track record;
- (c) The general industry characteristics of the engineering and construction contracting business that the Group is engaged in are the long collection period of accounts receivable and higher carrying balance. Considering the growth scale of the Group's future business, the Group will have sufficient accounts receivable for future factoring financing;
- (d) The relevant terms of the factoring agreement entered into between the Company and China Aluminum Business will be under normal commercial terms. The factoring service fee and handling fee that China Aluminum Business will charge to the Company will not be higher than the fees charged by independent third-party banks or companies engaging in domestic factoring business for similar services. China Aluminum Business has a better understanding of the Company's business as compared with independent third-party banks or companies and has a closer communication with the Company. Therefore, it is expected that the business volume between the Company and China Aluminum Business will increase in the future;
- (e) As of 30 September 2021, the financing demand of the Group was approximately RMB16.9 billion and the accounts receivable was approximately RMB15.0 billion; and
- (f) The Company currently has factoring service arrangements with companies other than China Aluminum Business. The factoring service fees and handling fees charged by these companies may be different from those charged by China Aluminum Business; Entering into a factoring agreements with China Aluminum Business enables the Company to choose the factoring service provider with the lowest financial cost for the Company among the counterparties, so that the Company can benefit from it.

## **INTERNAL CONTROL MEASURES**

To guarantee that the Company will comply with the above pricing policies from time to time and ensure that the cost of the factoring services provided by China Aluminum Business shall not be higher than the cost of services of similar nature provided by independent third party banks or companies which operate factoring business in the PRC. The Company will adopt a series of internal control measures in its daily course of operation, which will be conducted and supervised by the financial and capital operation department of the Company:

- The Company has developed and adopted a set of management measures regarding connected transactions, pursuant to which the financial and capital operation department is responsible for the collection and supervision of the connected transaction information. For the same transaction, the Company shall ensure that at least one independent third party will participate in the quotation as a supplier. The financial and capital operation department shall conduct a comprehensive comparison between quotations provided by at least two suppliers and assess the fairness of transaction terms and pricing terms. If the contract terms are comparable or similar, the contract with a lower price shall be considered as the selected participant preliminarily. Officers handling the relevant matters shall submit a report to the head of the financial and capital operation department and the chief financial officer of the Company for the explanation of the details of such preliminary selected participant to obtain approval;
- Before China Aluminum Business commences the factoring financing business, key personnel in charge of relevant matters shall file an application to the financial and capital operation department, the approval of which shall only be subject to the preliminary and final review by the head of the financial and capital operation department and the chief financial officer of the Company based on the relevant internal control policies;
- The Directors of the Company have reviewed and will continue to review the 2021 Factoring Agreement and the transactions thereunder to make sure that such agreement is entered into on normal commercial terms and in the interest of the Company and the Shareholders as a whole. The auditor of the Company will also conduct annual review on the pricing and annual caps for such continuing connected transactions.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The factoring financing business conducted in China Aluminum Business has the following advantages: Firstly, the financing channels of each subsidiary of the Company can be broadened so as to meet partial daily financing needs at a time when banks tighten the granting of credits; Secondly, the funds can be collected in advance for Account Receivables of certain quality customers, which lowers the fund occupation arising from Account Receivables; Thirdly, the formalities and procedures of the factoring financing business are easier and more convenient compared with those of other financing methods. Having an overall consideration, the Company is of the view that commencing factoring business with China Aluminum Business is in the interest of the Company and Shareholders as a whole.

## **GENERAL INFORMATION**

### **Information on 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 on China Aluminum Business**

China Aluminum Business is a company incorporated in the PRC with limited liability, primarily engaged in provision of trade financing service by way of Account Receivables transferred; settlement, management and collection of Account Receivables; management of sales ledger; investigation and evaluation of clients' credits; and relevant consultancy services. The ultimate beneficial owner of China Aluminum Business 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 a Controlling Shareholder of the Company and thus a connected person thereof. China Aluminum Business is a subsidiary of Chinalco, therefore China Aluminum Business is also a connected person of the Company. Accordingly, the 2021 Factoring Agreement and the transactions contemplated thereunder constitute the connected transactions of the Company. As one or more of the applicable percentage ratios in respect of the transactions under the 2021 Factoring Agreement exceed 5% but below 25%, which constitute the disclosable transactions of the Company, the 2021 Factoring Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

## **CONFIRMATION OF THE BOARD**

As Mr. Li Yihua holds position in Chinalco and therefore has material interests in the 2021 Factoring Agreement and the transactions thereunder, he has abstained from voting on the above Board resolutions. Save as Mr. Li Yihua, none of the other Directors has material interests in the transaction hereof.

The Directors (except for the independent non-executive Directors) are of the opinion that the 2021 Factoring Agreement and the transactions contemplated thereunder are not in the ordinary or usual course of business of the Group but are entered into on normal commercial terms and its terms and conditions are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will appoint an independent financial adviser to advise the independent board committee and the independent Shareholders as to whether the 2021 Factoring Agreement is on normal commercial terms and is fair and reasonable so far as the independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole, and to advise the independent Shareholders as to how they should vote in respect of the above resolutions at the general meeting. The independent board committee comprising all independent non-executive Directors has been established by the Company to advise the independent Shareholders as to whether the 2021 Factoring Agreement is entered into on normal commercial terms and is fair and reasonable so far as the independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole, and to advise the independent Shareholders as to how they should vote in respect of the above resolutions, after taking into account the recommendations of the independent financial adviser.

## DESPATCH OF CIRCULAR

The Company will convene the general meeting to consider and approve the renewal of the 2021 Factoring Agreement. A circular containing, among others, the letter from the independent board committee, the letter from the independent financial adviser, together with the notice convening the general meeting, may be dispatched to the Shareholders after 15 business days from the date of the publication of this announcement because the Company requires some time to finalise certain information for inclusion in the circular.

## DEFINITIONS

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

“2021 Factoring Agreement”	the “Factoring Cooperation Framework Agreement” renewed by the Company and China Aluminum Business on 27 October 2021, the agreement will be effective from the date of consideration and approval of relevant resolution at the general meeting of the Company
“Account Receivables”	the obligations denominated in Renminbi entitled by the Company against the buyer(s) upon the fulfillment of the obligations regarding the sales of goods, provision of services or leasing of assets under the Elementary Transaction Contracts
“A Share(s)”	the domestic ordinary share(s) of the Company with a nominal value of RMB1.00 each, which are traded in the Shanghai Stock Exchange (stock code: 601068)
“Board”	the board of Directors of the Company
“buyer(s)”	the person(s) who enters into contract(s) or agreement(s) with the Company, purchases goods, receives services or leases assets from the Company, and is/are obliged to pay the consideration to the Company
“China Aluminum Business”	China Aluminum Business Factoring Co., Ltd. (中鋁商業保理有限公司), a company established in the PRC with limited liability
“Chinalco”	Aluminum Corporation of China Limited (中國鋁業集團有限公司), a state-owned enterprise incorporated under the Laws of PRC and a Controlling Shareholder of the Company
“Company”	China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司)

“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
“Credit Supporting Document(s)”	the security interests document(s) which is/are initiated under the Elementary Transaction Contracts or relevant to the Elementary Transaction Contracts in favor of the Company and its subsidiaries, including but not limited to guarantee contracts, guarantee terms, performance bonds, standby letters of credit, insurance policies, repurchase contracts and undertaking letters, regardless of the titles of such documents
“Directors”	the directors of the Company
“Elementary Transaction Contracts”	the transaction contract(s) entered into between the Company and the buyer(s) regarding the sales of goods by the Company to the buyer(s), provision of services or leasing of assets and receiving the consideration, and includes the legal documents concerning amendments, supplements and relevant undertakings and appendices in relation to the transaction contract concluded by the parties of the contract on or before the execution date of the Factoring Agreement
“Group”	the Company and its subsidiaries as at the date of this announcement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“New Factoring Agreement”	the “Factoring Cooperation Framework Agreement” renewed by the Company and China Aluminum Business on 28 March 2019
“Ninth Metallurgical Company”	No. 9 Metallurgical Construction Co., Ltd. (九冶建設有限公司), a company incorporated in the PRC with limited liability and a 72.08%-owned subsidiary of the Company

“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
“RMB”	Renminbi, the lawful currency of the PRC
“Security Interests”	any types of security interests, such as warranty, pledge, security, deposit, lien, promissory, insurance, ownership retention, conditional sales, repurchase and security transfer, and the interests under other similar arrangements with preservation or protection purpose to the parties concerned
“Share(s)”	the share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including A Share(s) and H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company
“Sixth Metallurgical Company”	Sixth Metallurgical Construction Company of China Nonferrous Metals Industry (中國有色金屬工業第六冶金建設有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Twelfth Metallurgical Company”	China Nonferrous Metals Industry’s 12th Metallurgical Construction Co., Ltd. (中色十二冶金建設有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“%”	percent

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

Beijing, the PRC, 27 October 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.*