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中国铝业股份有限公司
ALUMINUM CORPORATION OF CHINA LIMITED*

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

(Stock Code: 2600)

ANNOUNCEMENT
RENEWAL OF CONTINUING CONNECTED TRANSACTION
ENTERING INTO THE FINANCE LEASE FRAMEWORK
AGREEMENT WITH CHINALCO LEASE

References are made to the announcement of the Company dated 13 November 2015 and the supplemental circular of the Company dated 14 December 2015, in relation to the entering into of the Existing Finance Lease Framework Agreement between the Company and Chinalco Lease.

As the Existing Finance Lease Framework Agreement will expire on 31 December 2018, the Company entered into the Finance Lease Framework Agreement with Chinalco Lease on 17 September 2018.

As at the date of this announcement, Chinalco Lease is a subsidiary of Chinalco, the controlling Shareholder of the Company, and thus is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the transactions constitute continuing connected transactions of the Company under Chapter 14 of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) in respect of the entering into of the Finance Lease Framework Agreement and the transactions contemplated thereunder exceeds 5%, the transactions shall be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

An extraordinary general meeting (“**EGM**”) of the Company will be convened to seek the Independent Shareholders’ approval for, among other things, the Finance Lease Framework Agreement and the proposed cap thereunder. The Company will dispatch a circular to the Shareholders in relation to the Finance Lease Framework Agreement and the proposed cap thereunder on or before 13 November 2018. As the Company needs more time to prepare and finalize certain information to be contained in the supplemental circular for Shareholders to make informed decisions at the EGM, the Company will dispatch a supplemental circular to the Shareholders on or before 11 December 2018 which contains, inter alia, (i) details of the Finance Lease Framework Agreement and the proposed cap thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of opinion from the independent financial advisor to the Independent Board Committee and the Independent Shareholders.

1. BACKGROUND

References are made to the announcement of the Company dated 13 November 2015 and the supplemental circular of the Company dated 14 December 2015, in relation to the entering into of the Existing Finance Lease Framework Agreement between the Company and Chinalco Lease.

As the Existing Finance Lease Framework Agreement will expire on 31 December 2018, the Company entered into the Finance Lease Framework Agreement with Chinalco Lease on 17 September 2018.

2. THE FINANCE LEASE FRAMEWORK AGREEMENT

2.1. Date

17 September 2018

2.2. Parties

- (1) the Company (as the lessee, for itself and on behalf of its subsidiaries);
and
- (2) Chinalco Lease (as the lessor, for itself and on behalf of its subsidiaries)

2.3. Term

From 1 January 2019 to 31 December 2021.

2.4. Methods and Arrangements of Finance Lease

The Group proposed to obtain the financing by way of finance leasing arrangements, including but not limited to: (1) direct leasing arrangements, under which, Chinalco Lease will directly purchase the new equipment as required by the Group and lease the same to the Group for its use, while the Group will pay rental to Chinalco Lease accordingly and, upon expiry of the lease term, will purchase the assets from Chinalco Lease at a specific price after the rental has been fully paid to Chinalco Lease in accordance with corresponding operative agreements; and (2) sale-and-leaseback arrangements, under which, the Group will sell its own assets to Chinalco Lease to obtain financing, and then lease back the sold assets and pay rental to Chinalco Lease until expiry of the lease term when the Group will repurchase the assets from Chinalco Lease after the rental has been fully paid to Chinalco Lease in accordance with corresponding operative agreements. The scope of the assets under the finance lease includes production equipment in relation to alumina, electrolytic aluminum, mining and energy power etc., and the carrying amount of such assets shall be not less than the principal amount under the finance lease in any event.

2.5. Financing Amount

At any time within the validity period of the Finance Lease Framework Agreement, the financing balance obtained by the Group from Chinalco Lease shall not exceed RMB10 billion. The financing balance represents the aggregate principal amount outstanding under the Finance Lease Framework Agreement plus any lease interest, commission fees and other expenses, if applicable, incurred from the beginning of that year to that exact point of time.

2.6. Financing Costs and Payment Methods

The financing costs mainly include lease interest and commission fees, etc. The costs of finance leasing services provided by Chinalco Lease shall not be higher than the financing costs of services of same or similar nature provided by independent third party finance lease companies in the PRC (the after-tax internal rate of return shall prevail). The lease interest shall be determined with reference to the benchmark interest rates for RMB-denominated loans published by the People's Bank of China on a regular basis; if such rates are not available, then the lease interest shall be determined with reference to the interest rates charged or quoted by other major finance institutions for providing services of same or similar nature. The Company and Chinalco Lease will, based on the actual cash flows, design flexible payment methods, including not limited to payment of principal in equal instalments on a quarterly basis, payment of principal and interest in equal instalments on a quarterly basis, payment of principal in unequal instalments on a quarterly basis, payment of principal in equal instalments on a semi-annual basis, payment of principal and interest in equal instalments on an annual basis, etc.

2.7. Legal Title of the Leased Assets and Repurchase

During the term of the finance lease operated under the Finance Lease Framework Agreement, the legal title of the leased assets shall be vested in Chinalco Lease. Upon expiry of such term, the Group will repurchase the leased assets together with the corresponding legal title from Chinalco Lease at a nominal price of not more than RMB1.

2.8. Effectiveness of the Agreement

The Finance Lease Framework Agreement shall become effective upon being approved by the competent bodies of each party (including the Independent Shareholders) and signed and sealed by both parties and their duly authorised representatives.

Subject to the Finance Lease Framework Agreement, the Group and Chinalco Lease shall further enter into separate operative contracts or agreements in respect of provision of specific finance leasing services and determine the specific terms of the transaction. Such separate operative contracts or agreements shall be in compliance with the principles and terms of the Finance Lease Framework Agreement, as well as the requirements of the applicable laws.

3. PROPOSED CAP UNDER THE FINANCE LEASE FRAMEWORK AGREEMENT AND THE BASIS FOR DETERMINING THE PROPOSED CAP

Taking into account the Group's future business development plans and its needs for the finance leasing services provided by Chinalco Lease in the course of its daily operation and development, the Company proposes to set the financing balance (i.e. the proposed cap) under the Finance Lease Framework Agreement at RMB10 billion, which means that at any time within the term of the Finance Lease Framework Agreement (from 1 January 2019 to 31 December 2021), the financing balance obtained by the Group from Chinalco Lease shall not exceed RMB10 billion. The financing balance represents the aggregate principal amount outstanding during the lease term plus any lease interest, commission fees and other expenses, if applicable, incurred from the beginning of that year to that exact point of time under the Finance Lease Framework Agreement.

The proposed cap has been determined by the Company with reference to the following factors:

- (i) the Group's future business development plans and its demand for the finance leasing services provided by Chinalco Lease in the course of its daily operation and development. Pursuant to the budget of capital expenditure of the Group, the Group expects to continuously increase its investment in the construction of mines, alumina and electrical energy projects, etc.;
- (ii) the current financing market conditions, the interest rate and the potential adjustments to be made by the People's Bank of China to the benchmark interest rates for RMB-denominated loans in the future. In the case of any adjustment to the benchmark interest rates for RMB-denominated loans made by the People's Bank of China in the future, the lease interest specified in the newly-signed separate operative agreements will be determined with reference to the adjusted benchmark interest rates for RMB-denominated loans;

Note: the existing benchmark interest rates for RMB-denominated loans published by the People's Bank of China are as follows:

- 4.35% for loans with a term not more than six months;
- 4.35% for loans with a term over six months but not more than one year;
- 4.75% for loans with a term over one year but not more than three years;
- 4.75% for loans with a term over three years but not more than five years; and
- 4.90% for loans with a term over five years.

- (iii) the nature and the carrying amount of the leased assets. The carrying amount of the leased assets shall not be less than the principal amount under the finance lease in any event; and
- (iv) provision of approximately 5% buffer for unexpected fluctuations in the growth of the financing balance during the term of the Finance Lease Framework Agreement.

In conclusion, the Board is of the view that the proposed cap for the transactions contemplated under the Finance Lease Framework Agreement is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

According to the information provided by the Group, during the period from 1 January 2016 to the date of this announcement, the maximum balance of financing obtained by the Group from Chinalco Lease amounted to approximately RMB3,202 million. The Board confirmed that as at the date of this announcement, the financing balance acquired by the Group from Chinalco Lease did not exceed the proposed cap under the Existing Finance Lease Framework Agreement.

The Company has adopted a set of effective internal control measures to supervise the continuing connected transactions of the Company. Prior to entering into operative agreements, the authorized departments of the Group will review and assess the specific terms and conditions of the transactions to ensure their consistency with the Finance Lease Framework Agreement and determine the lease interest and commission fees with reference to the current market conditions and the prices charged or quoted by at least two independent third parties for providing services of similar nature and comparable size under normal trading conditions around that time. The financial department of the Company traces, monitors and checks the progress of the continuing connected transactions of the Company on a monthly basis. Meanwhile, the audit committee of the Board will strictly review the continuing connected transactions on a continuing basis to ensure the integrity and effectiveness of the internal control measures regarding continuing connected transactions.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE FRAMEWORK AGREEMENT

In respect of the finance leasing services provided to the Group by Chinalco Lease, the financing costs are not higher than those of the services of same or similar nature provided by independent third party finance lease companies in the PRC. In addition, Chinalco Lease is able to design the repayment method based on the actual conditions of the Group in a flexible way and provide financing in a timely and convenient manner, which allow the Company to optimize its financial management, improve its capital usage efficiency and reduce financing costs and risks and thus will facilitate and smooth the business development and operations of the Company.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Finance Lease Framework Agreement were negotiated on arm's length basis and entered into in the ordinary course of business of the Company on normal commercial terms or better, and the terms of the Finance Lease Framework Agreement, transactions contemplated thereunder and the proposed cap thereof are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

5. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, Chinalco Lease is a subsidiary of Chinalco, the controlling Shareholder of the Company, and thus is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the transactions constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) in respect of the entering into of the Finance Lease Framework Agreement and the transactions contemplated thereunder exceeds 5%, the transactions shall be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As Mr. Yu Dehui and Mr. Ao Hong, both being Directors, concurrently hold positions in Chinalco, they have abstained from voting on the Board resolution in respect of the transactions contemplated under the Finance Lease Framework Agreement. None of the other Directors has any material interest in the transactions contemplated under the Finance Lease Framework Agreement and therefore, none of them has abstained from voting on such Board resolution.

The Company proposed to appoint VBG Capital as an independent financial advisor to advise the Independent Board Committee and the Independent Shareholders as to, inter alia, whether the continuing connected transactions contemplated under the Finance Lease Framework Agreement and the proposed cap thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Independent Board Committee will be formed to advise the Independent Shareholders in respect of, inter alia, the continuing connected transactions contemplated under the Finance Lease Framework Agreement and the proposed cap thereof.

An EGM of the Company will be convened to seek the Independent Shareholders' approval for, among other things, the Finance Lease Framework Agreement and the proposed cap thereunder. The Company will dispatch a circular to the Shareholders in relation to the Finance Lease Framework Agreement and the proposed cap thereunder on or before 13 November 2018. As the Company needs more time to prepare and finalize certain information to be contained in the supplemental circular for Shareholders to make informed decisions at the EGM, the Company will dispatch a supplemental circular to the Shareholders on or before 11 December 2018 which contains, inter alia, (i) details of the Finance Lease Framework Agreement and the proposed cap thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of opinion from the independent financial advisor to the Independent Board Committee and the Independent Shareholders.

6. INFORMATION OF THE PARTIES

Information on the Company

The Company is a joint stock limited company incorporated in the PRC, the H Shares, A Shares and ADS(s) of which are listed on the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange, respectively. The Group principally engages in the mining of bauxite and coal and other resources; production, sales and technology research and development of alumina, primary aluminium and aluminium alloy products; international trade; logistics business; thermal and new energy power generation, etc.

Information on Chinalco Lease

Chinalco Lease is a limited liability company incorporated in the PRC and principally engaged in finance leasing business; leasing business; purchasing leased assets from abroad and domestic vendors, residue value disposal and maintenance of the leased assets; and lease transaction consultation and guarantee business, etc.

7. DEFINITIONS

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

“A Share(s)”	the domestic share(s) issued by the Company and subscribed for in RMB, which are listed on the Shanghai Stock Exchange;
“ADS(s)”	the American Depository Share(s) issued by the Bank of New York Mellon as the depository bank and listed on the New York Stock Exchange, with each ADS representing 25 H Shares;
“Board”	the board of Directors;
“Chinalco”	Aluminum Corporation of China* (中國鋁業集團有限公司), a wholly state-owned enterprise with limited liability established in the PRC and the controlling shareholder of the Company, directly and indirectly, holding approximately 36.27% of the total issued share capital of the Company as at the date of this announcement;
“Chinalco Lease”	Chinalco Finance Lease Co., Ltd.* (中鋁融資租賃有限公司), a subsidiary of Chinalco as at the date of this announcement;
“Company”	Aluminum Corporation of China Limited* (中國鋁業股份有限公司), a joint stock limited company established in the PRC, the A Shares, H Shares and ADSs of which are listed on the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the New York Stock Exchange, respectively;
“connected person(s)”	has the same meaning ascribed thereto under the Hong Kong Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Finance Lease Framework Agreement”	the agreement entered into between the Company and Chinalco Lease on 13 November 2015, whereby Chinalco Lease agreed to provide finance leasing services to the Company, the term of which will expire on 31 December 2018;

“Finance Lease Framework Agreement”	the finance lease framework agreement entered into between the Company and Chinalco Lease on 17 September 2018 in relation to the provision of finance leasing services by Chinalco Lease to the Group for a term from 1 January 2019 to 31 December 2021;
“Group”	the Company and its subsidiaries;
“H Share(s)”	the overseas listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and subscribed for in Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	the independent committee of the Board, the members of which consist of the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the continuing connected transactions under the Finance Lease Framework Agreement and the proposed cap thereof;
“Independent Shareholder(s)”	the Shareholder(s) (other than Chinalco and its associates (as defined under the Hong Kong Listing Rules)) who are not required to abstain from voting on the resolution to be proposed at the EGM to approve the continuing connected transactions under the Finance Lease Framework Agreement and the proposed cap thereof;
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;

“Share(s)”	A Shares and H Shares;
“Shareholder(s)”	holder(s) of A Shares and holder(s) of H Shares;
“subsidiary”	has the same meaning ascribed thereto under the Hong Kong Listing Rules;
“VBG Capital”	VBG Capital Limited, the independent financial adviser proposed to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Finance Lease Framework Agreement and the transactions contemplated thereunder as well as the proposed cap;
“%”	per cent.

By order of the Board
Aluminum Corporation of China Limited*
Zhang Zhankui
Company Secretary

Beijing, the PRC
17 September 2018

As at the date of this announcement, the members of the Board comprise Mr. Yu Dehui, Mr. Lu Dongliang and Mr. Jiang Yinggang (Executive Directors); Mr. Ao Hong and Mr. Wang Jun (Non-executive Directors); Ms. Chen Lijie, Mr. Hu Shihai and Mr. Lie-A-Cheong Tai Chong, David (Independent Non-executive Directors).

* *For identification purposes only*