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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 COOPERATION
FRAMEWORK
AGREEMENT WITH CHINALCO LEASE

References are made to the announcement of the Company dated 17 September 2018 and the supplemental circular of the Company dated 26 November 2018, in relation to the entering into of the Existing Finance Lease Cooperation Framework Agreement between the Company and Chinalco Lease. As the Existing Finance Lease Cooperation Framework Agreement will expire on 31 December 2021, the Company renewed the Finance Lease Cooperation Framework Agreement with Chinalco Lease on 26 October 2021.

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. The transactions contemplated under the Finance Lease Cooperation Framework Agreement 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 transactions contemplated under the Finance Lease Cooperation Framework Agreement and its proposed annual caps is higher than 0.1% but lower than 5%, the transactions contemplated under the Finance Lease Cooperation Framework Agreement and its proposed annual caps are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Although the transactions contemplated under the Finance Lease Cooperation Framework Agreement and its proposed annual caps are exempt from the independent shareholders' approval requirements under the Hong Kong Listing Rules, they are still subject to the approval of the independent Shareholders at the general meeting of the Company in accordance with the relevant requirements of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange. The Company will convene the EGM to seek approval from the independent Shareholders in respect of the transactions contemplated under the Finance Lease Cooperation Framework Agreement and its proposed annual caps. The Company will dispatch a circular to the Shareholders containing, among other things, details of the transactions contemplated under the Finance Lease Cooperation Framework Agreement and its proposed annual caps on or before 12 November 2021.

1. BACKGROUND

References are made to the announcement of the Company dated 17 September 2018 and the supplemental circular of the Company dated 26 November 2018, in relation to the entering into of the Existing Finance Lease Cooperation Framework Agreement between the Company and Chinalco Lease.

As the Existing Finance Lease Cooperation Framework Agreement will expire on 31 December 2021, the Company renewed the Finance Lease Cooperation Framework Agreement with Chinalco Lease on 26 October 2021.

2. THE FINANCE LEASE COOPERATION FRAMEWORK AGREEMENT

(1) Date

26 October 2021

(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)

(3) Term

From 1 January 2022 to 31 December 2024.

(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.

(5) Financing Amount

At any time within the validity period of the Finance Lease Cooperation Framework Agreement, the financing balance obtained by the Group from Chinalco Lease shall not exceed RMB2.5 billion. The financing balance represents the aggregate principal amount outstanding under the Finance Lease Cooperation 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.

(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 but 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.

(7) Legal Title of the Leased Assets and Repurchase

During the term of the finance lease operated under the Finance Lease Cooperation 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.

(8) Effectiveness of the Agreement

The Finance Lease Cooperation Framework Agreement shall become effective upon being approved by the competent bodies of both parties and signed and sealed by both parties and their duly authorised representatives.

Subject to the Finance Lease Cooperation 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 Cooperation Framework Agreement, as well as the requirements of the applicable laws.

3. PROPOSED ANNUAL CAPS UNDER THE FINANCE LEASE COOPERATION FRAMEWORK AGREEMENT AND THE BASIS FOR DETERMINING THE PROPOSED ANNUAL CAPS

The Company has adopted, among other things, International Financial Reporting Standards 16 – Leases, in its consolidated statement of financial position relating to leases and finance leases, which took effect at the beginning of the accounting period on 1 January 2019.

Pursuant to International Financial Reporting Standards 16 – Leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. At the commencement date of a lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is hardly determinable.

Accordingly, under International Financial Reporting Standards 16 – Leases, subject to the specific leased terms and conditions set out in each lease agreement, the Company will recognise the leased assets of relevant direct lease representing the Company's right to use the leased assets, except for short-term leases and leases of low-value assets. For the sale-and-leaseback, the relevant transactions will be accounted for as the finance lease arrangement between the Company and the lessor.

Pursuant to the Hong Kong Listing Rules, the direct lease is deemed as the acquisition of assets by the Group and the sale-and-leaseback constitutes the sale of assets by the Group. The following table sets out the proposed annual caps for direct lease and sale-and-leaseback for the three years ending 31 December 2024:

Transaction	Proposed annual caps for the years ending 31 December		
	2022 <i>(RMB million)</i>	2023 <i>(RMB million)</i>	2024 <i>(RMB million)</i>
Direct lease	1,500	1,500	1,500
Sale-and-leaseback	1,000	1,000	1,000

The proposed annual caps have been determined by the Company with reference to the following factors:

- (i) the historical transaction amounts between the Group and Chinalco Lease ;
 - (ii) the Group's business needs for the finance leasing services provided by Chinalco Lease in the course of its daily operation and future development. The Group has prescribed the Regulation on Capital Management of Aluminum Corporation of China Limited* (《中國鋁業股份有限公司資金管理辦法》) and other policies and documents on the management of the finance lease business of the Group. The Group has strictly abided by relevant policies in previous years and will continue to manage the finance lease business according to the internal policies on strengthening financing management prescribed by the Group to prevent relevant financing risks;
 - (iii) 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; and
- 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 one year;
 - 4.75% for loans with a term over one year but not more than five years; and
 - 4.90% for loans with a term over five years.
- (iv) 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.

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

In respect of the continuing connected transactions under the Existing Finance Lease Cooperation Framework Agreement between the Company and Chinalco Lease, the cap for the balance of finance lease business during the valid period of the agreement was RMB10 billion. During the period from 1 January 2019 (i.e., the date on which the Existing Finance Lease Cooperation Framework Agreement came into effect) to the date of the announcement, the Group recorded a maximum balance of financing with Chinalco Lease amounting to approximately RMB1.418 billion, within the limit of the cap of the Existing Finance Lease Cooperation 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 authorised departments of the Company will review and assess the specific terms and conditions of the transactions to ensure their consistency with the Finance Lease Cooperation 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. The Board considers that the above internal control procedures and corporate governance measures adopted by the Company concerning the continuing connected transactions are appropriate and that the procedures and measures above will give sufficient assurance to the Shareholders that the continuing connected transactions under the Finance Lease Cooperation Framework Agreement will be appropriately monitored by the Company.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE COOPERATION 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 Group to optimise its financial management, improve its capital usage efficiency and reduce financing costs and risks, which will facilitate and smooth the business development and operations of the Group.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Finance Lease Cooperation 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 Cooperation Framework Agreement, transactions contemplated thereunder and the proposed annual caps 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. The transactions contemplated under the Finance Lease Cooperation Framework Agreement 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 transactions contemplated under the Finance Lease Cooperation Framework Agreement and its proposed annual caps is higher than 0.1% but lower than 5%, the transactions contemplated under the Finance Lease Cooperation Framework Agreement and its proposed annual caps are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Although the transactions contemplated under the Finance Lease Cooperation Framework Agreement and its proposed annual caps are exempt from the independent shareholders' approval requirements under the Hong Kong Listing Rules, they are still subject to the approval of the independent Shareholders at the general meeting of the Company in accordance with the relevant requirements of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange. The Company will convene the EGM to seek approval from the independent Shareholders in respect of the transactions contemplated under the Finance Lease Cooperation Framework Agreement and its proposed annual caps. The Company will dispatch a circular to the Shareholders containing, among other things, details of the transactions contemplated under the Finance Lease Cooperation Framework Agreement and its proposed annual caps on or before 12 November 2021.

As Mr. Liu Jianping and Mr. Zhang Jilong, the Directors of the Company, concurrently hold positions in Chinalco, they have abstained from voting on the Board resolution with respect to the transactions contemplated under the Finance Lease Cooperation Framework Agreement. Saved as disclosed above, none of the Directors has any material interest in the transactions contemplated under the Finance Lease Cooperation Framework Agreement and therefore none of the Directors has abstained from voting on such Board resolution.

6. GENERAL INFORMATION

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 a subsidiary of Chinalco as at the date of this announcement. It is 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. As at the date of this announcement, Chinalco Lease is held as to 75% and 25% by Chinalco Capital Holdings Co., Ltd.* (which is respectively held as to 85.2921% and 14.7079% by Chinalco and the Company, and principally engaged in project investment, asset management and investment advisory, etc) and Aluminum Corporation of China Overseas Holdings Limited (which is a wholly-owned subsidiary of Chinalco and principally engaged in overseas investment and financing business), respectively.

Information on Chinalco

As at the date of this announcement, the Company and Chinalco Lease are subsidiaries of Chinalco. Chinalco is a wholly state-owned enterprise incorporated in the PRC and is primarily engaged in the production and sales of aluminum, copper, rare earth and related non-ferrous metals mineral products, smelted products, fabrication products and carbon products, etc.

7. DEFINITIONS

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

“A Share(s)”	the RMB ordinary 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 of the Company;
“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 32.16% 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 company incorporated in the PRC with limited liability;
“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;

“EGM”	the 2021 first extraordinary general meeting of the Company to consider and approve, among other things, the transactions contemplated under the Finance Lease Cooperation Framework Agreement and its proposed annual caps;
“Existing Finance Lease Cooperation Framework Agreement”	the agreement entered into between the Company and Chinalco Lease on 17 September 2018, pursuant to which, Chinalco Lease agreed to provide finance leasing services to the Company, the term of which will expire on 31 December 2021;
“Finance Lease Cooperation Framework Agreement”	the agreement entered into between the Company and Chinalco Lease on 26 October 2021, pursuant to which, Chinalco Lease agreed to provide finance leasing services to the Company;
“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;
“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(ies)”	has the same meaning ascribed thereto under the Hong Kong Listing Rules; and
“%”	per cent.

By order of the Board
Aluminum Corporation of China Limited*
Wang Jun
Company Secretary

Beijing, the PRC
26 October 2021

As at the date of this announcement, the members of the board of directors comprise Mr. Liu Jianping, Mr. Zhu Runzhou, Mr. Ou Xiaowu and Mr. Jiang Tao (Executive Directors); Mr. Zhang Jilong and Mr. Wang Jun (Non-executive Directors); Mr. Qiu Guanzhou, Mr. Yu Jinsong and Ms. Chan Yuen Sau Kelly (Independent Non-executive Directors).

* *For identification purpose only*