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**Zijin Mining Group Co., Ltd.\***

**紫金礦業集團股份有限公司**

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

**(Stock code: 2899)**

### **Discloseable Transaction**

## **Announcement in relation to the Acquisition of 50.1% Equity Interest in Tibet Julong Copper Co., Ltd.**

For the purposes of further increasing the Company's resources reserves, raising the supply capacity of super large-scale copper mines in the PRC and realising the Company's sustainable development, the Company proposed to acquire, through Tibet Zijin, a wholly-owned subsidiary of the Company, an aggregate of 50.1% equity interest in Julong Copper held by Zangge Group, Zangge Holding, Zhongsheng Mining, Shenzhen Chenfang and Huibaihong Industrial in cash. The consideration of the Transaction is RMB3.88275 billion in total. If the phase 2 project of additional mining and processing scale of 150 thousand tonnes/day of the Qulong Copper and Polymetallic Mine (including the Rongmucuola Copper and Polymetallic Mine) fulfills the conditions as stipulated in the Agreement, the Acquirer shall make certain compensation to the sellers of the equity interest in Julong Copper this time.

The Transaction does not constitute a connected transaction nor a material asset restructuring.

The Transaction was considered and approved by the Board. The Transaction falls into the scope of investment decision of the Board, and is not necessary to be approved at a shareholders' general meeting of the Company. Independent Directors have provided independent opinion on the Transaction.

**The Transaction shall be completed in phases, subject to multiple conditions precedent. The success of the Transaction is subject to uncertainties. Investors should be aware of investment risks.**

### **Implications under the Listing Rules**

As one or more of the applicable percentage ratios in relation to the Transaction (as set out in the Listing Rules) is/are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

## **I. Overview of the investment**

On 6 June 2020, Tibet Zijin, a wholly-owned subsidiary of the Company, entered into the Overall Equity Transfer Agreement with Zangge Group, Zhongsheng Mining, Shenzhen Chenfang, Xiao Yongming and Julong Copper. On the same date, Tibet Zijin also entered into other two separate Equity Transfer Agreements with Zangge Holding and Huibaihong Industrial respectively.

According to the abovementioned Agreements, the Company proposed to acquire 50.1% equity interest in Julong Copper in cash at a consideration of RMB3.88275 billion (i.e., a subscribed capital contribution of RMB1,763,419,800), including acquiring 12.88%, 18%, 6.22%, 10% and 3% equity interest in Julong Copper held by Zangge Group, Zhongsheng Mining, Zangge Holding, Shenzhen Chenfang and Huibaihong Industrial at considerations of RMB998.2 million, RMB1.395 billion, RMB482.05 million, RMB775 million and RMB232.5 million respectively (i.e., a subscribed capital contribution of RMB453,350,240, RMB633,564,000, RMB218,931,560, RMB351,980,000 and RMB105,594,000 respectively). The abovementioned proportion of equity interest to be acquired can be subsequently adjusted upon negotiation and obtaining unanimous consents, but the total proportion of equity interest in the Target Company to be acquired by Tibet Zijin shall not be lower than 50.1%.

As a supplemental term, as Julong Copper possesses a large volume of low-grade copper resources, subject to feasible economic conditions, effectively utilising the resources will evidently elevate the value of the projects. If the phase 2 project of additional mining and processing scale of 150 thousand tonnes/day of the Qulong Copper and Polymetallic Mine (including the Rongmucuola Copper and Polymetallic Mine) fulfills the conditions as stipulated in the Agreement, the Acquirer shall make certain compensation to the sellers of the equity interest in Julong Copper this time.

The 10th extraordinary meeting in 2020 of the seventh term of the Board considered and approved the proposal in relation to the Acquisition on 6 June 2020. 12 Directors of the Company participated in the voting, and the voting results are: 12 For, 0 Against, 0 Abstain.

The Transaction does not constitute a connected transaction nor a material asset restructuring. The Transaction falls into the scope of investment decision of the Board, and is not necessary to be approved at a shareholders' general meeting of the Company.

The Transaction shall be completed in phases, subject to multiple conditions precedent. The success of the Transaction is subject to uncertainties. Investors should be aware of investment risks.

## **II. Basic information of the parties to the Transaction**

### **(1) Tibet Zangge Venture Capital Group Co., Ltd.**

1. Type of corporate: Limited liability company

2. Registered address: Zangqing Industrial Park, Golmud City, Qinghai Province
3. Legal representative: Xiao Yongming
4. Registered capital: RMB1 billion
5. Main business: Venture investment, venture investment management, etc.
6. Substantial shareholders or actual controllers: 90% equity interest owned by Xiao Yongming and 10% equity interest owned by Lin Jifang
7. Development in the past three years: Investment mainly in the mineral production industry, including potash fertiliser and copper and polymetallic mines
8. Connected relationship with the Company: Nil
9. As at the end of 2019, Zangge Group had total assets of RMB9.8077309 billion and net assets of RMB668.8082 million, with operating income of RMB0 and net profit of -RMB43.0818 million for the year 2019 (unaudited).

**(2) Zangge Holding Limited by Share Ltd (a company listed in the A share market, stock code 000408)**

1. Type of corporate: Company limited by shares
2. Registered address: No. 15-02 Kunlun South Road, Golmud City, Qinghai Province
3. Legal representative: Cao Bangjun
4. Registered capital: RMB1,993,779,522
5. Main business: Production and sales of potash fertiliser (potassium chloride)
6. Substantial shareholder or actual controller: Xiao Yongming
7. Development in the past three years: Mainly engaged in the development, production and sales in potash fertiliser industry
8. Connected relationship with the Company: Nil
9. As at the end of 2019, Zangge Holding had total assets of RMB9.56218 billion and net assets of RMB7.83388 billion, with operating income of RMB2.06415 billion and net profit of RMB359.52 million for the year 2019 (audited).

**(3) Tibet Zhongsheng Mining Co., Ltd.**

1. Type of corporate: Limited liability company
2. Registered address: No. 36 Zhenjiang Road, Dagze Town, Lhasa City
3. Legal representative: Wang Ping
4. Registered capital: RMB168 million
5. Main business: General exploration of the Lingbuqu lead and zinc mine in Ngamring County, Shigatse, Tibet; processing and sales of mineral products
6. Substantial shareholder or actual controller: Xiao Yongming
7. Development in the past three years: Mainly engaged in exploration of the Lingbuqu lead and zinc mine in Ngamring County, Shigatse and external investment
8. Connected relationship with the Company: Nil

9. As at the end of 2019, Zhongsheng Mining had total assets of RMB1.5279729 billion and net assets of RMB87.2189 million, with operating income of RMB0 and net profit of -RMB2.2522 million for the year 2019 (unaudited).

#### **(4) Shenzhen Chenfang Asset Management Company Limited**

1. Type of corporate: Limited liability company
2. Registered address: Unit 201, Building A, No. 1 Qianhai First Road, Qianhai Shenzhen - Hong Kong Cooperation Zone, Shenzhen City
3. Legal representative: Wang Zheng
4. Registered capital: RMB100 million
5. Main business: Entrusted asset management, equity investment, investment consultancy, financial advisory
6. Substantial shareholder or actual controller: Shenzhen Qianhai Xinxie Financial Holding Company Limited
7. Development in the past three years: Mainly engaged in equity investment
8. Connected relationship with the Company: Nil
9. As at the end of 2019, Shenzhen Chenfang had total assets of RMB755.0088 million and net assets of RMB96.0565 million, with operating income of RMB0 and net profit of -RMB1.3762 million for the year 2019 (unaudited).

#### **(5) Tibet Huibaihong Industrial Co., Ltd.**

1. Type of corporate: Limited liability company
2. Registered address: Dongga Town, Doilungdeqen District, Lhasa City
3. Legal representative: Hu Weiquan
4. Registered capital: RMB30 million
5. Main business: Venture investment
6. Substantial shareholder or actual controller: Hu Weiquan
7. Development in the past three years: Mainly engaged in equity investment
8. Connected relationship with the Company: Nil
9. As at the end of 2019, Huibaihong Industrial had total assets of RMB245.0728 million and net assets of RMB20.7705 million, with operating income of RMB0 and net profit of RMB627 thousand for the year 2019 (unaudited).

#### **(6) Xiao Yongming**

Gender: Male

Nationality: Chinese

Date of birth: July 1964

Address: Dongcheng District, Beijing

Occupation and position in recent three years:

<b>Company</b>	<b>Position</b>	<b>Main business of the company</b>
Tibet Zangge Venture Capital Group Co., Ltd.	Executive director, legal representative, shareholder	Investment in mineral production industry, including potash fertiliser, copper and polymetallic mines, etc.
Sichuan Yonghong Industry Company Limited	Executive director, legal representative, shareholder	Investment and asset management, etc.
Zangge Holding Limited by Share Ltd	Shareholder	Development, production and sales in the potash fertiliser industry, etc.
Tibet Zhonghui Industrial Co., Ltd.	Chairman	Processing and sales of mineral products, etc.
Tibet Julong Copper Co., Ltd.	Legal representative, chairman	Mining, selecting, refining, processing, sales and services of non-ferrous metals, precious metals and non-metal products, etc.
Tibet Zhongli Industrial Co., Ltd.	Chairman	Exploration of the Naluguo Lead and Polymetallic Mine in Damxung County, Lhasa City, Tibet, etc.
Qinghai Zhonghao Natural Gas Chemical Engineering Co., Ltd.	Executive director, legal representative, shareholder	Production and sales of methanol and its related products, etc.
Qinghai Zhonghao Energy Chemical Engineering Co., Ltd.	Legal representative and chairman	Development of coal and its downstream products, etc.
Hunan Bochuan Agricultural Development Co., Ltd.	Director	Planting and sales of agricultural products, etc.
Hunan Chuanhai Environmental Protection Engineering Co., Ltd.	Director	Design and construction of environmental protection project, etc.
Golmud Zangge Xingheng Investment Co., Ltd.	Executive director	Industrial investment (limited to using self-owned funds), etc.
Golmud City Xiaoxiao Restaurant	Legal representative and shareholder	Catering services

**(7) Tibet Zijin Industrial Co., Ltd.**

1. Type of corporate: Limited liability company
2. Registered address: Room 1416, Headquarters Economic Base Building, No. 5 Gesang Road, Lhasa Economic and Technological Development Zone
3. Legal representative: Wu Jianhui
4. Registered capital: RMB2 billion

5. Main business: Mine geological and technical services; mineral resource information consultancy services; mineral product sales and import and export trading; procurement and sales of mechanical and electrical equipment, mechanical components, construction materials, steel materials; warehousing service (excluding dangerous chemicals, flammable and explosive dangerous goods); supply chain management; enterprise management services (excluding investment management and investment consultancy business); marketing planning services. (items which require approvals under the laws shall be subject to the approval from relevant departments before the commencement of business)
6. Substantial shareholder or actual controller: the Company holds 100% of its equity interest

Tibet Zijin is a company newly established in May 2020.

### III. Basic information of Julong Copper

#### (I) General information

Company name	Tibet Julong Copper Co., Ltd.
Date of incorporation	14 December 2006
Type of corporate	Other limited liability company
Legal representative	Xiao Yongming
Registered capital	RMB3.5198 billion
Registered address	No. 28 Kunggar Town, Maizhokunggar County
Unified social credit code	91540127783518411T
Main business	Sales of mineral products; mining equipment, refining equipment, geological prospecting and engineering, sales and leasing of transport vehicles, leasing of houses, mechanical and electrical equipment and components, raw chemical materials and products, sales of plastic products, mining, selecting, refining, processing, sales and services of non-ferrous metals, precious metals and non-metal products; refining, calendaring, fine processing and sales of non-ferrous metals, rare and precious metals and relating by-products; processing and sales of sulphur chemicals and their calendared products and refined processing products relating to the abovementioned businesses; sales of component of mine equipment; sales of construction materials; leasing of machinery and mine equipment; production and sales of cement, sand and concrete; sales of car tires; property management services. (items which require approvals under the laws shall be subject to the approval from relevant departments before the commencement of business)

## (II) History and current shareholding structure

Incorporated in December 2006, Julong Copper mainly engages in prospecting, development, construction, production and sales of the Qulong Copper and Polymetallic Mine in Maizhokunggar County, Lhasa City, Tibet.

The initial registered capital of Julong Copper was RMB119.8 million, in which Zangge Potash (currently known as Zangge Group) contributed RMB47.92 million, representing 40.00% of the then registered capital; Zhongsheng Mining contributed RMB45.524 million, representing 38.00% of the then registered capital; Tibet Autonomous Region Bureau of Exploration & Development of Geology & Mineral Resources No. 2 Geology Team contributed RMB15.574 million, representing 13.00% of the then registered capital; and Tibet Maizhokunggar Dapu Industrial and Trading Co., Ltd. contributed RMB10.782 million, representing 9.00% of the then registered capital.

After several changes in shareholding and capital increases, the current registered capital and paid-up capital of Julong Copper are RMB3.5198 billion and RMB3.06972 billion respectively. The subscribed capital contribution and paid-up capitals of shareholders are as follows respectively:

Shareholder	Subscribed capital contribution (RMB million)	Paid-up capital (RMB million)	Approximate shareholding percentage
Tibet Zangge Venture Capital Group Co., Ltd.	453.35024	453.35024	12.88%
Zangge Holding Limited by Share Ltd	1,302.32600	1,302.32600	37.00%
Tibet Zhongsheng Mining Co., Ltd.	633.56400	633.56400	18.00%
Tibet Shengyuan Mining Group Corporation	356.20376	12.12376	10.12%
Tibet Maizhokunggar Dapu Industrial and Trading Co., Ltd.	316.78200	210.78200	9.00%
Shenzhen Chenfang Asset Management Company Limited	351.98000	351.98000	10.00%
Tibet Huibaihong Industrial Co., Ltd.	105.59400	105.59400	3.00%
Total	3,519.80000	3,069.72000	100.00%

Among which, Zangge Group and Zangge Holding are controlled by Xiao Yongming, and Zhongsheng Mining is a party acting in concert with Xiao Yongming. The abovementioned shareholders own a total of 67.88% equity interest in Julong Copper.

On 6 June 2020, Zangge Holding entered into an agreement of intent of equity transfer with Tibet

Maizhokunggar Dapu Industrial and Trading Co., Ltd. (“Dapu Industrial”) and proposed to transfer its 5.88% equity interest in Julong Copper to Dapu Industrial. After the completion of the abovementioned equity transfer and the acquisition of 50.1% equity interest in Julong Copper by the Company, the shareholding structure of Julong Copper will be changed to:

Shareholder	Subscribed capital contribution (RMB million)	Paid-up capital (RMB million)	Approximate shareholding percentage
Tibet Zijin Industrial Co., Ltd.	1,763.4198	1,763.4198	50.1%
Zange Holding Limited by Share Ltd	876.4302	876.4302	24.9%
Tibet Shengyuan Mining Group Corporation	356.20376	12.12376	10.12%
Tibet Maizhokunggar Dapu Industrial and Trading Co., Ltd.	523.74624	417.74624	14.88%

Tibet Shengyuan Mining Group Corporation is a subsidiary of Tibet Autonomous Region Bureau of Exploration & Development of Geology & Mineral Resources. Dapu Industrial is a subsidiary of Maizhokunggar Development and Reform Commission. Both of them are state-owned, and in aggregate hold 25% equity interest in Julong Copper.

### (III) Financial status of the Target Company

The major financial indicators of Julong Copper for the past three years are as follows:

**Unit: RMB million**

	Year 2019	Year 2018	Year 2017
Operating income	0.5216	0.5266	0.3702
Profit before tax	-369.6420	-177.9492	-107.4415
Net profit	-369.6420	-177.9492	-107.4415
	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Total assets	11,563.7318	11,002.2641	9,258.9308
Total liabilities	9,617.3444	8,886.2347	6,964.9522
Net assets	1,946.3874	2,116.0294	2,293.9786

The financial data of Julong Copper for the years 2017, 2018 and 2019 were audited by Baker Tilly China Certified Public Accountants (Limited Liability Partnership) (“Baker Tilly China”). Baker Tilly China has the qualification for engaging in securities and futures business.

### (IV) Basic information of the Julong Copper’s subsidiaries

Julong Copper has 2 subsidiaries. Their major information is as follow:

1. Tibet Juxin Information Technology Co., Ltd. Its registered capital is RMB10 million. Julong Copper and



Qin Shizhe hold 80% and 20% of its equity interest respectively. Its legal representative is Qin Shizhe. Its registered address is in Lhasa. Its business scope is computer network, electronic technology engineering, compressive networking, etc.

2. Tibet Sanghai Mining Development Co., Ltd. Its registered capital is RMB18 million. Julong Copper holds 100% of its equity interest. Its legal representative is Xiao Ning. Its registered address is in Maizhokunggar County. Its business scope is enterprise management, marketing consultancy and conference services, leasing of equipment and houses.

### **(V) Basic information of the projects**

Julong Copper mainly engages in exploration and development of copper mines. It currently owns the Qulong Copper and Polymetallic Mine, the Rongmucuola Copper and Polymetallic Mine and the Zhibula Copper and Polymetallic Mine. Among which, the Qulong Copper and Polymetallic Mine and the Zhibula Copper and Polymetallic Mine have obtained mining permits, while the Rongmucuola Copper and Polymetallic Mine has obtained exploration permit and the detailed exploration was completed. It is currently applying for the mining permit.

The Qulong Copper and Polymetallic Mine and the Rongmucuola Copper and Polymetallic Mine are a complete porphyry-type copper deposit while the Zhibula Copper and Polymetallic Mine is a skarn copper deposit. According to the filed resource reserve volume reports, the three mines have 7.9576 million tonnes of copper metal volume aggregately, and 370.6 thousand tonnes of associated molybdenum metal volume in total. At the same time, there are a large volume of low-grade copper (molybdenum) resources in the porphyry.

### **1. Transportation and location**

The projects are situated at a linear distance of 20km southwest of the county seat of Maizhokunggar County. The National Highway 318 can be reached by travelling 30km north along simple roadway, the county seat of Maizhokunggar County can be reached by travelling 8km east further on the National Highway 318, and Chengguan District of Lhasa City, the capital of Tibet Autonomous Region, can be reached by travelling 67km west further. The freight yard of Lhasa railway station and Lhasa Gonggar Airport can be reached by travelling 94km and approximately 123km respectively. The transportation is convenient.



Diagram: map of the project area

## **2. Climate**

The region where the projects are situated has a plateau-type, temperate, semi-arid monsoon climate with a low temperature. The region is dry and has thin air, and the sunlight is abundant. It has a substantial temperature difference between day and night. The annual sunshine time is about 3,000 hours. The average annual temperature, precipitation volume and evaporation volume are about 0°C, 400mm and 2,000mm respectively. It becomes frozen in late October and thawing starts from April to May in the next year. The largest freezing depth can reach 40m.

## **3. Nature and geography**

The projects are situated in the northern mountain foot of western Guokalariju, eastern lower mountain of the Gangdise Mountains. It is precipitous. The southern part is high while the northern part is low with a strong cutting and glacier landform. The highest altitude is 5,566m. The elevation of the base level of erosion near the mining area is approximately 3,900m. The vegetation at the gullies and two sides is mainly high-mountain meadow. There is basically no tree and the vegetation is simple.

## **4. Infrastructure**

The projects are situated in the south bank of Lhasa River, a first-class tributary of Yarlung Tsangpo River. There is abundant water resource for meeting the requirements of production, livelihood and mine construction in the area. 110kV high-voltage, double-circuit transmission lines have been connected to the mining area, providing security of electricity supply for mining development.

The residents in the exploration area are mainly Tibetans engaging in agriculture and livestock industry. All the farmers and herdsmen in the mining areas (the Qulong Mine, the Zhibula Mine, the Rongmucuola Mine and tailings storage) have been relocated to the locality of the government of Gyama Village. Resettlement houses and other supporting facilities were constructed. The Target Company provides farmland and food subsidies and pasture subsidies for farmers and herdsmen, subsidises the families of farmers and herdsmen with living and production subsidies and fuel fee, pays new rural social pension insurance and cooperative medical insurance for farmers and herdsmen, etc. on an annual basis according to the agreements entered into between the Target Company and the county government.

## **5. Personnel status**

The Target Company has suspended production since the second half of 2019 till now. Approximately 400 employees were reserved since the Target Company is ready to resume production any time.

## **(VI) Status of the rights of the mines**

1. Julong Copper has obtained mining permits for the Qulong Copper and Polymetallic Mine and the Zhibula Copper and Polymetallic Mine. Details are as follows:

(1) On 29 September 2016, the original Ministry of Land and Resources of the PRC issued the mining permit of the Qulong Copper and Polymetallic Mine of Tibet Julong Copper Co., Ltd. (permit number:

C1000002016093210143146). The mining permit covers an area of 4.7977km<sup>2</sup>. Open pit mining will be adopted and the production scale will be 30 million tonnes/year. The effective period is from 29 September 2016 to 29 September 2037.

(2) On 26 December 2017, the original Tibet Autonomous Region Land and Resources Department issued the mining permit of the Zhibula Copper and Polymetallic Mine in Maizhokunggar County, Lhasa, Tibet (permit number: C5400002011093110119193). The mining permit covers an area of 4.68km<sup>2</sup>. Open pit mining and underground mining will be adopted and the production scale will be 1.2 million t/a. The effective period is from 26 December 2017 to 25 September 2020. Julong Copper is processing the extension application for the mining permit of the Zhibula Copper and Polymetallic Mine.

2. On 16 May 2016, Julong Copper obtained the exploration permit for the detailed exploration of the Rongmucuola Copper Mine in Maizhokunggar County, Lhasa, Tibet (permit number: T54520091102036119) issued by the original Tibet Autonomous Region Land and Resources Department. The exploration right covers an area of 64.56km<sup>2</sup>. The effective period is from 16 May 2016 to 16 May 2018. The exploration right has expired as the Tibet Autonomous Region Land and Resources Department suspended receiving application for extension of exploration right. Currently, the Tibet Autonomous Region Land and Resources Department resumes receipt of application for retaining exploration right, and the extension application is in progress. Julong Copper is currently applying for mining right for the exploration right.

## **(VII) Resources**

The Qulong porphyry-type copper and molybdenum deposit is located at the Gandise metallogenic belt of the Tethys-Himalayan metallogenic province, one of the main porphyry-type copper mine metallogenic provinces in the world. The existing Qulong Copper and Polymetallic Mine and the Rongmucuola Copper and Polymetallic Mine in the deposit are a complete porphyry-type copper deposit with a burial depth of 3 to 96m, which is generally a concealed to semi-concealed deposit. The deposit is east-west oriented with length of 2.27km, width of 1.50km from north to south in an oval shape. The ore is mainly structured by veinlet-disseminated orebody.

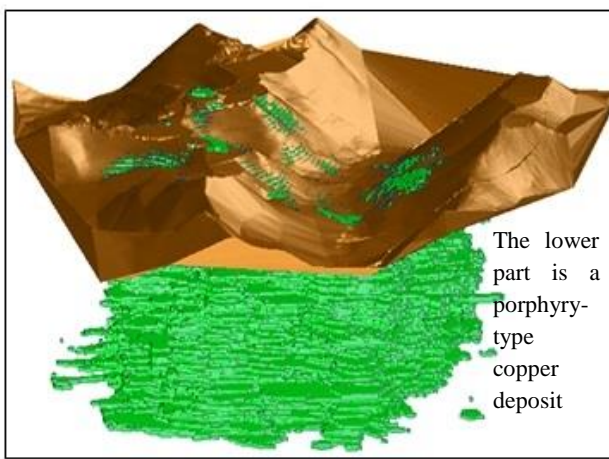


Diagram: Occurrence of deposit

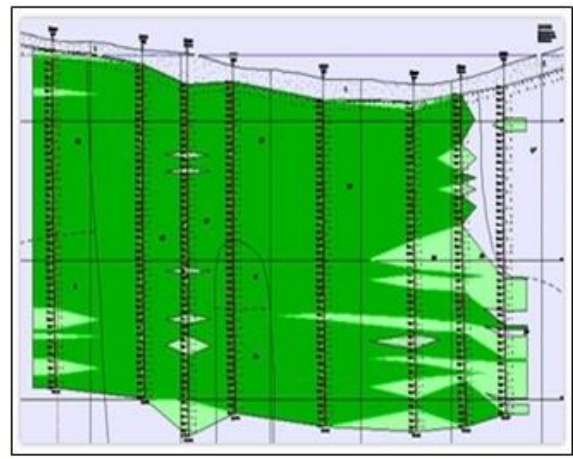


Diagram: Cross section of exploration line no. 10 of the Qulong Copper and Polymetallic Mine

### 1. Qulong Copper and Polymetallic Mine

In January 2008, Julong Copper engaged Tibet Autonomous Region Bureau of Exploration & Development of Geology & Mineral Resources No. 2 Geology Team and Beijing Endi Science and Technology Development Co., Ltd. to prepare the Exploration Report of the Qulong Copper and Polymetallic Mine in Maizhokunggar County, Tibet Autonomous Region. The report was reviewed and approved by Beijing CMA Consultancy Center, document number: Zhong Kuang Lian Chu Ping Zi [2008] No. 08, and filed to the Ministry of Land and Resources of the PRC on 1 February 2008, filing number: Guo Tu Zi Chu Bei Zi [2008] No. 37. According to the assessment report, it was estimated that as at 31 December 2007, the total ore volume (331+332+333) of the Qulong mining area was 1,879,207,600 tonnes, with copper metal volume of 7.1904 million tonnes grading 0.383% in average; associated molybdenum metal volume of 356.4 thousand tonnes grading 0.023% in average, and the associated silver metal volume was not accounted for. Among which, industrial grade ore volume was 779,898,900 tonnes, with copper metal volume of 3.7025 million tonnes grading 0.475% in average and associated molybdenum metal volume of 192.3 thousand tonnes grading 0.026% in average; the volume of low-grade ore was 1,099,308,700 tonnes with copper metal volume of 3.4879 million tonnes grading 0.317% in average and associated molybdenum metal volume of 164.1 thousand tonnes grading 0.020% in average.

### 2. The Rongmucuola Copper and Polymetallic Mine

In March 2018, Julong Copper submitted the Supplementary Detailed Exploration Report of the Rongmucuola Copper Mine in Maizhokunggar County, Tibet Autonomous Region. The report was reviewed and approved by Tibet Autonomous Region Land and Mining Right Transaction and Resources Reserve Volume Assessment Centre on 10 May 2018, document number: Zang Kuang Chu Ping Zi [2019] No. 105, and filed to the Tibet Autonomous Region Natural Resources Department on 23 December 2019, filing number: Zang Zi Ran Zi Chu Bei Zi [2019] No. 07. According to the review report, the Rongmucuola mining area has retained total ore volume (331+332+333) of 65.102 million tonnes, with copper metal volume of 304.3 thousand tonnes grading 0.46% in average and associated molybdenum metal volume of 14.2 thousand tonnes grading 0.02% in average.

The Rongmucuola mining area also has low-grade copper metal volume (331+332+333) of 3.44 million tonnes grading 0.28% in average; associated molybdenum metal volume of 250 thousand tonnes grading 0.02% in average.

### 3. The Zhibula Copper and Polymetallic Mine

In November 2012, Julong Copper engaged Tibet Autonomous Region Bureau of Exploration & Development of Geology & Mineral Resources No. 2 Geology Team to prepare the Verification Report of the Resources Reserve Volumes of the Zhibula Copper and Polymetallic Mine in Maizhokunggar County, Tibet Autonomous Region. The report was reviewed and approved by Tibet Autonomous Region Land and Mining Right Transaction and Resources Reserve Volume Assessment Centre, document number: Zang Kuang Chu Ping Zi [2012] No. 116, and filed to the Tibet Autonomous Region Land and Resources Department, filing number: Zang Guo Tu Zi Chu Bei Zi [2012] No. 67. According to the assessment report, it was estimated that as at 30 November 2012, the retained copper ore volume (323+333) inside the verified area of the Zhibula Copper and Polymetallic Mine was 31,372,500 tonnes, with copper metal volume of 462,952.33 tonnes grading 1.50% in average; associated gold metal volume of 9,056.12kg grading 0.29g/t in average; silver metal volume of 357,795.93kg grading 11.60g/t in average.

### 4. The Company's verification on the resources

The Company carried out verification of the resources reserve volumes of the Qulong Copper and Polymetallic Mine and the Rongmucuola Copper and Polymetallic Mine based on molybdenum (Mo) : copper (Cu)=3 to convert the grade of copper equivalent (DCu). Under the lowest industrial grade of DCu 0.4%, the resources condition of the two mines is as follow:

Grade of resources	Ore volume (billion tonnes)	Cu (%)	Cu metal (tonne)	Mo (%)	Mo metal (tonne)	DCu (%)	DCu metal (tonne)
331	0.8029069	0.44	3,503,253	0.027	219,842	0.52	4,167,082
332	1.3522980	0.4	5,416,723	0.027	369,067	0.48	6,532,040
333	0.4095260	0.36	1,488,546	0.033	136,005	0.46	1,899,209
<b>Subtotal</b>	<b>2.5647309</b>	<b>0.41</b>	<b>10,408,522</b>	<b>0.028</b>	<b>724,914</b>	<b>0.49</b>	<b>12,598,331</b>

Apart from the abovementioned resources, there are also a large volume of low-grade copper and molybdenum mineral resources in the mining areas. Subject to feasible technological and economic conditions, the prospective copper resources reserve volume within the scope of the mining areas of Julong Copper may reach over 20 million tonnes.

### (VIII) Status of permits and licences

## 1. The Qulong Copper and Polymetallic Mine

The Qulong Copper and Polymetallic Mine mining and processing construction project obtained the Approval in relation to Tibet Julong Copper Co., Ltd.'s Qulong Copper and Polymetallic Mine 100 Thousand Tonnes/Day Mining and Processing Construction Project issued by the Development and Reform Commission of Tibetan Autonomous Region (Zang Fa Gai Chan Ye [2015] No. 841) on 11 December 2015. The required approvals obtained by the project are as follows:

Category of approval	Name of document or approval	Authority
Environmental protection	Approval of Environmental Impact Assessment Report of Tibet Julong Copper Co., Ltd.'s Qulong Copper and Polymetallic Mine 100 Thousand Tonnes/Day Mining and Processing Construction Project (Huan Shen [2013] No. 319)	Ministry of Environmental Protection of the PRC
Water and soil	Reply Letter in relation to the Water and Soil Conservation Plan of the Qulong Copper and Polymetallic Mine in Maizhokunggar County, Tibet Autonomous Region (Shui Bao Han [2009] No. 139)	Tibet Autonomous Region Water Resources Department
	Tibet Autonomous Region Water Resources Department's Review Opinion on Verification Report of Water Resources of the Qulong Copper and Polymetallic Mine in Maizhokunggar County, Tibet (Zang Shui Zheng [2012] No. 23)	
Environment	Letter on Review Opinion on Land Restoration Plan of Tibet Julong Copper Co., Ltd.'s Qulong Copper and Polymetallic Mine 30 Million Tonnes/Year Mining and Processing Construction Project (Guo Tu Zi Geng Han [2012] No. 114)	Tibet Autonomous Region Land and Resources Department
Energy conservation assessment	Review Opinion on Energy Conservation Assessment Report of Tibet Julong Copper Co., Ltd.'s Qulong Copper and Polymetallic Mine Project (Zang Fa Gai Huan Zi [2013] No. 862)	Development and Reform Commission of Tibetan Autonomous Region
Others	Review Opinion on Social Stability Risk Assessment Report of Tibet Julong Copper Co., Ltd.'s Qulong Copper and Polymetallic Mine 100 Thousand Tonnes/Day Mining and Processing Construction Project in Maizhokunggar County (Zang Fa Gai Chan Ye [2014] No. 263)	

## 2. The Zhibula Copper and Polymetallic Mine

The Zhibula Copper and Polymetallic Mine mining and processing transformation and expansion construction project obtained the Approval in relation to the Zhibula Copper and Polymetallic Mine Mining and Processing Transformation and Expansion Construction Project (Zang Fa Gai Chan Ye [2017] No. 1112) issued by the Development and Reform Commission of Tibetan Autonomous Region in 2017. The required approvals obtained by the project are as follows:

Category of approval	Name of document or approval	Authority
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Environmental protection	Approval of Environmental Impact Assessment Report of the Zhibula Copper and Polymetallic Mine Mining and Processing Transformation and Expansion Construction Project (Mining Project) (Zang Huan Shen [2016] No. 94)	Tibet Autonomous Region
	Approval of Environmental Impact Assessment Report of the Zhibula Copper and Polymetallic Mine Mining and Processing Transformation and Expansion Construction Project (Processing Project) (Zang Huan Shen [2016] No. 95)	Environmental Protection Department
Water and soil	Reply Letter on Report of Water and Soil Conservation Plan of the Zhibula Copper and Polymetallic Mine Mining and Processing Transformation and Expansion Project (Zang Shui Bao [2014] No. 25)	Tibet Autonomous Region Water Resources Department
	Verification Report of Water Resources of the Zhibula Copper and Polymetallic Mine Mining and Processing Transformation and Expansion Construction Project (Zang Shui Zheng [2014] No. 10)	
Energy conservation assessment	Review Opinion on Energy Conservation Assessment Report of the Zhibula Copper and Polymetallic Mine Mining and Processing Transformation and Expansion Construction Project (Zang Fa Gai Huan Zi [2016] No. 751)	Development and Reform Commission of Tibetan Autonomous Region
Safety	Letter of Review Opinion on Safety Facilities Design of Mining Section of Non-coal Mine (Open-pit) Construction Project of Tibet Julong Copper Co., Ltd.'s Zhibula Copper and Polymetallic Mine Mining and Processing Transformation and Expansion Construction Project	Office of the Ministry of Emergency Management
Environment	Review Opinion on Land Restoration Plan of the Zhibula Copper and Polymetallic Mine Mining and Processing Transformation and Expansion Construction Project in Maizhokunggar County, Tibet Autonomous Region	Tibet Autonomous Region Land and Resources Department
	Review Table on Geological Environment and Rehabilitation Management Plan of Tibet Julong Copper Co., Ltd.'s Zhibula Copper and Polymetallic Mine Mining and Processing Transformation and Expansion Construction Project in Maizhokunggar County (Zang Guo Tu Zi Di Huan Fang An [2014] No. 05)	
Land	Land Use Right Transfer Agreement of State-owned Land for Construction Purpose (540127-2016-0006)	Maizhokunggar County Land and Resources Planning Bureau

### 3. The Rongmucuola Copper and Polymetallic Mine

The exploration work of the Rongmucuola Copper and Polymetallic Mine was fully completed. Currently, Julong Copper is processing the relevant formalities of extension of exploration right and transferring the exploration right into mining right, and it proposes to integrate Rongmucuola into the scope of the Qulong

mining permit. The Qulong mining permit will become 45 million tonnes/year after the aforesaid scope enlargement.

## **(IX) Construction progress**

### **1. The Qulong Copper and Polymetallic Mine**

According to Feasibility Study Report of Tibet Julong Copper Co., Ltd.'s Qulong Copper and Polymetallic Mine Project issued by CINF Engineering Co., Ltd., the design and construction of the project will be based on a scale of 100+50 thousand tonnes/day. The main construction items include 4 major parts, namely mining site, processing plant, tailings storage and supplemental facilities. As at the end of 2019, RMB7.4 billion was invested into the Qulong Copper and Polymetallic Mine (including Rongmucuola). The constructions of external roadways, water-drawing project, electricity supply project, 220Kv electrical substation, etc. were basically completed. The constructions of the Qulong processing plant, long-distance conveying belt project, tailings storage and supplemental constructions were completed by 65%, 50% and 90% respectively. As there is a lack of funding, the project construction is generally under suspension since the second half of 2019.

The Company's due diligence on the Qulong Copper and Polymetallic Mine mining and processing project (including Rongmucuola) verified that the total investment under phase 1 of the project is RMB14.6 billion, and RMB7.4 billion has been invested. Approximately RMB7.2 billion is still required for the subsequent construction. It is expected that phase 1 of the project will be completed and put into production by the end of 2021.

### **2. The Zhibula Copper and Polymetallic Mine**

The Zhibula Copper and Polymetallic Mine mining and construction project has basically completed and is under trial production. The project has already met the conditions for environmental protection inspection and acceptance. The environmental protection inspection and acceptance report is under preparation. Application for production safety permit will be carried out after the relevant constructions are completed.

### **3. The Rongmucuola Copper and Polymetallic Mine**

As the Rongmucuola Copper and Polymetallic Mine will share the same mining pit and processing plant with the Qulong Copper and Polymetallic Mine, its investment before production commencement has already been included in the Qulong Copper and Polymetallic Mine. As the stripping ratio is small, stripping of infrastructure is not required. The project can commence production once the mining permit is obtained.

## **(X) Production capacity planning**

### **1. The Qulong Copper and Polymetallic Mine and the Rongmucuola Copper and Polymetallic Mine**

The Qulong Copper and Polymetallic Mine and the Rongmucuola Copper and Polymetallic Mine are a complete porphyry-type copper deposit. According to the general research on the Qulong Copper and



Polymetallic Mine and the Rongmucuola Copper and Polymetallic Mine conducted by a construction design subsidiary of the Company, an overall planning of the permits of the two mines will be carried out. As the deposit is large, thick, shallowly buried with partially exposed surface, the stripping ratio for open-pit mining is low, which is suitable for large-scale open-pit mining. They will be designed as one pit for open-pit mining. The construction of the project will be divided into 2 phases.

The daily ore processing volume of phase 1 will be 100+50 thousand tonnes according to the original design scale. Efforts will be made to expand the scale to 150 thousand tonnes based on the original approved scale of 100 thousand tonnes. It is planned to commence production at the end of 2021 and the operation will last for 8 years. 847 million tonnes of ores will be mined and utilised in phase 1, at Cu 0.42%, Mo 0.022%. The average stripping ratio will be 0.26t/t. After completion of phase 1 construction, the annual production will be 165 thousand tonnes of copper and 6,200 tonnes of molybdenum.

Phase 2 construction will be based on a daily ore processing volume of 300 thousand tonnes, and additional facilities including two series of 150 thousand tonnes processing plant and tailings storage will be constructed. Construction of phase 2 will commence 7-8 years after production commencement of phase 1, and the service life of phase 2 will be between the ninth and forty-first year. At the final boundary, a total of 3.01 billion tonnes of ores with DCu  $\geq$  0.25%, Cu 0.36%, Mo 0.021% will be utilised, and the stripping ratio will be 0.49t/t. After completion of construction, the annual production will be 263 thousand tonnes of copper and 13 thousand tonnes of molybdenum.

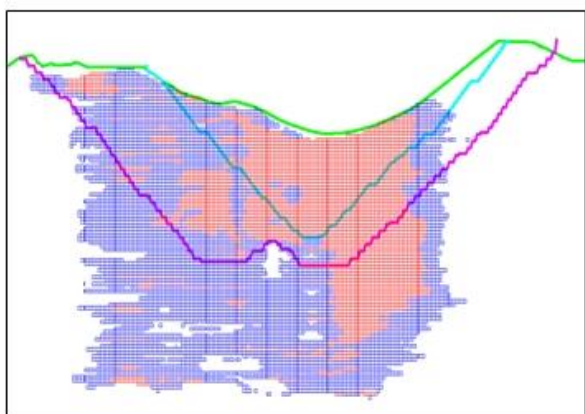


Diagram: Cross sectional diagram of boundary of open-pit mining

- Initial boundary (deep green line in the above diagram): 847 million t of ore, Cu 0.42%, Mo 0.022%, stripping ratio 0.26t/t
- Final boundary (purplish red line in the above diagram): utilised DCu  $\geq$  0.25%, 3.01 billion t of ore, Cu 0.36%, Mo 0.021%, average stripping ratio 0.49t/t

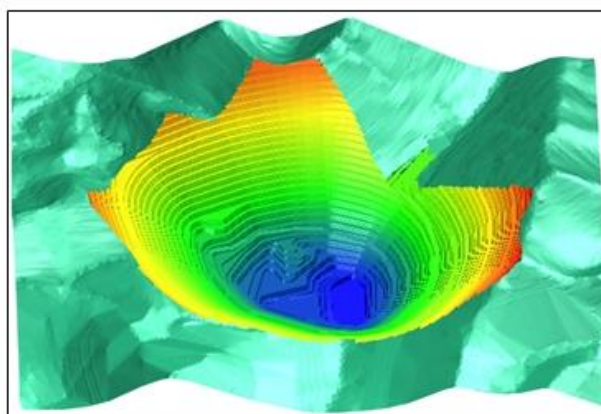


Diagram: Illustration diagram of boundary of open-pit mining

- Mining method: open-pit mining
- Mining scope: above 4,500m (mining permit for above 4,452m)
- Boundary length: 2,900m  $\times$  2,650m
- Elevation of the pit bottom: 4,500m
- Elevation of entrance and exit of the trench: 5,010m
- Slope angle: 39 - 44 degrees

## 2. The Zhibula Copper and Polymetallic Mine

The construction of the mining and processing project has been basically completed and trial production is in progress. The project will commence production after construction of the tailings storage is completed. According to the Company's research and adjustment, after production commencement of the project, the mining scale of the upper part of the open pit will be 6,000t/d. Open-pit mining will be adopted for the first 8 years with an annual production of 23.5 thousand tonnes of copper; the scale of the lower part underground mining will be 3,000t/d, with a service life between the ninth and fifteenth year.

#### **(XI) Pledge of rights of the mines and assets**

Julong Copper pledges the mining rights of the Qulong Copper and Polymetallic Mine and the Zhibula Copper and Polymetallic Mine, machinery and equipment and other current assets held amounting to approximately RMB1.352 billion for a syndicated mortgage loan from four financial institutions, namely, Bank of China Tibet Autonomous Region Branch, China Minsheng Bank Lhasa Branch, Bank of Tibet Co., Ltd. and Evergrowing Bank Co., Ltd. Beijing Branch. The maximum amount of the loan facilities is RMB10.5 billion (RMB5.607 billion has been actually drawn). The pledging periods of the mining rights of the Qulong Copper and Polymetallic Mine and the Zhibula Copper and Polymetallic Mine are from 6 September 2017 to 5 September 2030 and 18 October 2017 to 24 September 2020 respectively.

The detailed exploration right of the Rongmucuola Copper Mine is not subject to any pledge or other limitation of rights.

Except for the abovementioned pledges of mining rights, the rights of mines of Julong Copper are not subject to any pledge, sealing-up, freezing or other limitation of rights.

#### **(XII) Contingent liabilities**

1. Julong Copper entered into a maximum guarantee contract with the China Minsheng Bank Beijing Branch ("Minsheng Bank") (agreement no.: Gong Gao Bao Zi No. 1800000021958-2), to provide guarantee for the general facility agreement entered into between Zangge Group and Minsheng Bank, with a guarantee period from 14 March 2008 to 14 March 2019. The guarantee period has been extended. As at the date of this announcement, the balance of the guarantee is RMB800 million.

2. Julong Copper provides guarantee for the financing business under the stock pledged-repo transaction agreement entered into between Zangge Group and Guosen Securities Co., Ltd. ("Guosen Securities") in July 2016. Julong Copper provided unconditional and irrevocable joint and several guarantee liabilities in full amount to Guosen Securities with all its assets for Zangge Group in fulfilling various obligations under the stock pledged-repo transaction agreement and the relevant transaction documents. As at the date of this announcement, the balance of the loan principal is RMB700 million.

3. Julong Copper provides guarantee for the financing business under the stock pledged-repo transaction agreement entered into between Sichuan Yonghong Industry Company Limited (a connected person of

Zangge Group) and Guosen Securities in August 2016. Julong Copper provides unconditional and irrevocable joint and several guarantee liabilities in full amount to Guosen Securities with all its assets for Sichuan Yonghong Industry Company Limited in fulfilling various obligations under the stock pledged-repo transaction agreement and the relevant transaction documents. As at the date of this announcement, the balance of the loan principal is RMB1.5 billion.

4. Julong Copper issued an undertaking letter of joint repayment for the loan under the Xingxin Jinhong No. 40 Single Fund Trust Loan Agreement entered into between Zangge Group and China Industrial International Trust Limited (“Industrial Trust”) on 23 May 2015. As at the date of this announcement, the balance of the abovementioned loan is RMB164 million.

5. Julong Copper provides guarantee for the loan under the entrusted loan agreement entered into among Qinghai Zhonghao Natural Gas Chemical Engineering Co., Ltd. (a connected person of Zangge Group, “Qinghai Zhonghao”), Bank of Qinghai Haixi Prefecture Branch and Haixi Prefecture Qinghai Bank Circular Economy Innovation Guide Industry Fund (L.P.) (“Haixi Fund”) on 22 June 2017. As at the date of this announcement, the balance of the abovementioned loan is RMB200 million.

As a condition precedent for completion of the Transaction, Chengdu Shilong Industry Co., Ltd., which is actually controlled by Xiao Yongming, will pledge two pieces of lands located in the central business district in Dayuan Region, Chengdu Hi-Tech Industrial Development Zone to the Acquirer, and Xiao Yongming Party (as defined below) also undertook that certain shares of Zangge Holding will be pledged to the Acquirer after the pledge of such shares is released. Xiao Yongming Party, its connected persons and the borrowers have submitted memorandums relating to the fulfillment of guarantee liabilities to the Company and Julong Copper, and undertake that they will settle the loans as soon as possible, in order to release the guarantee liabilities of Julong Copper.

#### **IV. Pledging and freezing status of the target of the Transaction**

(1) Zhongsheng Mining pledged its 18% equity interest in Julong Copper as a guarantee for the loan of RMB250 million under the loan agreement entered into between Julong Copper and Tibet Shenghang Building Materials Industry Group Co., Ltd. (“Tibet Shenghang”).

(2) Zangge Group pledged its 10% equity interest in Julong Copper as a guarantee for the loan of RMB140 million under the loan agreement entered into between Julong Copper and Lhasa City Construction Investment Financial Holding Group Limited (“Lhasa City Construction Investment”).

(3) Zangge Group pledged its 2.88% equity interest in Julong Copper as a guarantee for debts of RMB100 million under a copper concentrate procurement and sales tripartite agreement entered into between Julong Copper, Tibet Yijiu Industrial Co., Ltd. and Lhasa Haidingyuan Materials Co., Ltd. (“Haidingyuan”).

(4) The 12.88% equity interest in Julong Copper held by Zangge Group was frozen by Yang Ping and Minsheng Royal Asset Management Co., Ltd. due to disputes arising from an equity transfer agreement. The 10% equity interest in Julong Copper held by Zangge Group was frozen by Lhasa City Construction Investment due to disputes arising from a loan agreement.

Zangge Group and Zhongsheng Mining undertook that they shall propose solutions for the pledging and freezing matters of the equity interest to be transferred, and guaranteed that they shall take reasonable and necessary measures to release pledge, freezing or limitation of rights of the target equity interest in the Target Company before the closing of the Transaction.

## **V. Major contents of the Agreements**

Tibet Zijin (as the acquirer) entered into the Equity Transfer Agreement in relation to Tibet Julong Copper Co., Ltd. (as the Target Company) (the “Overall Equity Transfer Agreement”) with Zangge Group, Zhongsheng Mining and Shenzhen Chenfang (the abovementioned three parties are collectively referred to as the “Sellers”).

In order to realise the Transaction, Xiao Yongming, Lin Jifang, Wang Ping, Xiao Yongmin, Xiao Ning and Xiao Yao (collectively referred to as the “Guarantors”) agreed to undertake unlimited joint and several liabilities for the obligations as stipulated in the Agreement which shall be carried out fully and appropriately by Xiao Yongming Party and the other Sellers. Xiao Yongming, his other associates holding equity interest in the Target Company and persons acting in concert with Xiao Yongming are collectively referred to as “Xiao Yongming Party”, including but not limited to Zangge Group, Zhongsheng Mining and the Guarantors.

Pursuant to the major conditions and conditions precedent of the Overall Equity Transfer Agreement, Tibet Zijin entered into other two separate Equity Transfer Agreements with Zangge Holding and Huibaihong Industrial respectively.

## **(I) Major contents of the Overall Equity Transfer Agreement**

### **1. Sale of equity interest**

(1) The consideration for 100% equity interest in Julong Copper in the Transaction is RMB7.75 billion.

(2) In the Transaction, Tibet Zijin will acquire 50.1% equity interest in Julong Copper held by the Sellers, Zangge Holding and Huibaihong Industrial at a total consideration of RMB3.88725 billion. Such equity interest shall be free of any encumbrances, in which:

a) the consideration for acquiring 12.88% equity interest in the Target Company held by Zangge Group is RMB998.20 million;

b) the consideration for acquiring 18% equity interest in the Target Company held by Zhongsheng Mining is RMB1.395 billion;

c) the consideration for acquiring 10% equity interest in the Target Company held by Shenzhen Chenfang is RMB775 million;

d) the consideration for acquiring 6.22% equity interest in the Target Company held by Zangge Holding is RMB482.05 million; Xiao Yongming Party shall ensure that Zangge Holding will sell its 6.22% equity interest in the Target Company pursuant to the terms and conditions as stipulated in relevant Agreement; and

e) the consideration for acquiring 3% equity interest in the Target Company held by Huibaihong Industrial is RMB232.50 million. Xiao Yongming Party shall ensure that Huibaihong Industrial will sell its 3% equity interest in the Target Company pursuant to the terms and conditions as stipulated in relevant Agreement.

(3) Each party agreed that the abovementioned proportion of equity interest in the Target Company can be adjusted afterwards based on a consensus under negotiation between the Sellers and the Acquirer, while the total proportion of equity interest in the Target Company to be acquired shall be no less than 50.1%. If there is any change to the proportion of the equity interest disposed by each abovementioned party, Xiao Yongming Party undertook that they shall facilitate the adjustment of the proportion of equity interest to be disposed by other shareholders of the Target Company subject to provisions of laws, rules and regulations, to the extent that the total proportion of equity interest acquired by the Acquirer reaches 50.1%. The consideration for the Acquisition shall be calculated on a pro-rata basis of 100% equity interest in Julong Copper at a consideration of RMB7.75 billion.

(4) The Acquirer and the Sellers agreed that the consideration for the abovementioned equity interest transfer shall be paid pursuant to the terms of the Overall Equity Transfer Agreement. The Sellers agreed that the Acquirer shall deposit corresponding amount of funds to the designated accounts of Yang Ping, Minsheng Royal Asset Management Co., Ltd., Lhasa City Construction Investment, Tibet Shenghang, Haidingyuan, etc., in order to repay the debts on behalf of the relevant Sellers. Such payments shall be deemed as settlement of consideration for equity interest transferred under the Overall Equity Transfer Agreement.

(5) Each party agreed that the total consideration for the equity interest transfer includes various tax payables arising from the sales of equity interest in the Target Company by the Sellers, Zangge Holding and Huibaihong Industrial according to laws.

(6) Given that the mines possess a large quantity of low-grade copper mineral resources, under feasible economic conditions, effectively utilising the resources will evidently elevate the value of the projects. Each party agreed that based on the original mining and processing scale of 100+50 thousand tonnes/day of the Qulong Copper and Polymetallic Mine (including the Rongmucuola Copper and Polymetallic Mine), if the phase 2 project of the additional 150 thousand tonnes/day mining and processing scale fulfills the conditions as stipulated in the Agreement, the Acquirer shall make certain compensation to the all of the sellers (i.e., Zangge Group, Zhongsheng Mining, Shenzhen Chenfang, Zangge Holding and Huibaihong

Industrial), and transfer the amounts to the designated bank accounts of the abovementioned parties according to the proportion of equity interest they sold.

The calculation formula of the total compensation payment = 50.1% equity interest in Julong Copper transferred to the Acquirer x RMB1.63 billion = RMB816.63 million.

The calculation formula for the compensation payable to each seller = the seller's proportion of equity interest in Julong Copper acquired by the Acquirer \* RMB1.63 billion.

If the average spot copper price of #1 electrolytic copper (the "Average Spot Copper Price") in the Shanghai Metals Market ranges from RMB49,000/tonne to RMB51,000/tonne on the date the conditions as stipulated in the Agreement are fulfilled, the total compensation payment shall be RMB816.63 million and it will not be adjusted.

If the Average Spot Copper Price exceeds RMB51,000/tonne or is below RMB49,000/tonne, for each RMB1,000/tonne increase or decrease in the Average Spot Copper Price, the basis for the compensation payment shall correspondingly increase or decrease by RMB200 million, which means:

a) If the Average Spot Copper Price exceeds RMB51,000/tonne, the total compensation payment = 50.1% equity interest in Julong Copper transferred to the Acquirer x (RMB1.63 billion + RMB200 million x (Average Spot Copper Price - 51,000)/1,000). RMB59,150 shall be adopted if the Average Spot Copper Price exceeds RMB59,150/tonne.

b) If the Average Spot Copper Price is below RMB49,000/tonne, the total compensation payment = 50.1% equity interest in Julong Copper transferred to the Acquirer x (RMB1.63 billion - RMB200 million x (49,000 - Average Spot Copper Price)/1,000). RMB40,850 shall be adopted if the Average Spot Copper Price is below RMB40,850/tonne.

## **2. Conditions precedent**

(1) Each party agreed that under the premise that all parties procure the fulfillment of all conditions precedent to the completion of the Acquisition stipulated in the Agreement within five business days of execution of the Agreement or other period as agreed by all parties (except that the Acquirer may waive one or more conditions precedent), the Sellers, Zangge Holding and Huibaihong Industrial shall transfer an aggregate of 50.1% equity interest in the Target Company held by them in tranches to the Acquirer. The conditions precedent mainly include:

a) Xiao Yongming Party shall submit the relevant plan of the Transaction (including Xiao Yongming Party is able to transfer its specific equity interest in Julong Copper to state-owned shareholders) to the government of Tibet Autonomous Region for review, and obtain its confirmation or approval opinion;

b) Xiao Yongming Party shall complete with the pledge of the two pieces of lands located in the central

business district in Dayuan Region, Chengdu Hi-Tech Industrial Development Zone owned by Chengdu Shilong Industry Co., Ltd., as the third and second charges respectively to the Acquirer, and Xiao Yongming Party undertook that only when all of the external guarantees of Julong Copper existing as at the execution date of the Agreement have been released can Xiao Yongming Party proceed with procedures to release such pledges;

c) All shareholders of the Target Company (including the state-owned shareholders) shall waive the pre-emptive rights in the Transaction conferred by laws, regulations and the articles of association of the Target Company, and execute an undertaking letter relating to waiver of such pre-emptive rights;

d) Each Seller has completed the internal decision-making procedures for approval of the Transaction;

e) Xiao Yongming Party shall execute an undertaking letter and warrant that on the date of releasing the first charge of the shares of Zangge Holding pledged to Guosen Securities and Minsheng Bank, it shall unconditionally pledge such shares to the Acquirer or its authorised parties, as the counter-guarantee for the guarantee provided by the Target Company to Xiao Yongming Party. If it cannot be realised, Xiao Yongming Party shall pledge valid assets with the equivalent value of such pledge to the Acquirer or its authorised parties;

f) The Sellers shall submit to the Acquirer comfort documents of Guosen Securities and Minsheng Bank in relation to releasing the guarantee liabilities of the Target Company under the guarantees, which shall be recognised by the Acquirer;

g) Except for the events of pledge, sealing-up and freezing of equity interest as stipulated in the terms of the attachments of the Agreement, the Sellers shall ensure that the target equity interest held by the Sellers are free and clear of (not obstructed by) other defects of interest.

(2) Matters to be completed prior to the closing date of equity transfer

a) Zangge Group shall enter into the settlement agreement with Yang Ping and Minsheng Royal Asset Management Co., Ltd. in relation to releasing the seal-up and frozen equity interest of the Target Company. If the negotiation is unsuccessful, Xiao Yongming Party shall procure Zangge Holding to sell an additional corresponding proportion of equity interest subject to equivalent terms and conditions in the Agreement.

b) The Sellers shall submit to the Acquirer documents issued by Haixi Fund and Industrial Trust in relation to releasing the guarantee liabilities of the Target Company under the relevant guarantees, which shall be recognised by the Acquirer. If the Sellers cannot release the guarantee liabilities before the completion date of equity transfer, the Acquirer is entitled to deduct the corresponding amount of remaining guarantee liabilities of the Target Company from the payment for the equity transfer to the Sellers, and the amount shall be paid to the Sellers after such guarantees are released.

(3) In the event that any condition precedent as stipulated in the Agreement is not fulfilled within the fulfillment period of the conditions precedent (except that the Acquirer waived one or more conditions precedent pursuant to the provisions as stipulated in the Agreement), the Acquirer is entitled to:

a) after completion of transfer of 10% equity interest in the Target Company held by Shenzhen Chenfang, require the Sellers to unconditionally entrust the voting and beneficiary rights of the target equity interest to

the Acquirer, and Xiao Yongming Party shall guarantee to act in concert with the Acquirer and procure Zangge Holding to transfer the corresponding proportion of equity interest, in order to ensure that the Acquirer can obtain the control in the operation of the Target Company; or

b) terminate the Agreement within 6 months from the expiry date of the fulfillment period of the conditions precedent. If any payment was made by the Acquirer under the Transaction, the Acquirer has the right to require the Sellers to return all the payments plus a fund occupation fee of 0.05% on the payments per day within 5 business days from the termination of the Agreement (the fund occupation fee calculation period is from the payment date of the Acquirer to the all payment return date of the Sellers), and compensate for all losses incurred by the Acquirer as a result.

### **3. Process of the Transaction**

All parties agreed that the equity interest transfer and payment under the Transaction shall be divided into two stages:

#### **Stage 1:**

(1) On the date of entering into the Agreement, the Sellers have legitimately procured Zangge Holding to convene a board meeting to approve the following proposals:

a) Waiver of the pre-emptive rights in relation to transfer of 10% equity interest in the Target Company from Shenzhen Chenfang to the Acquirer;

b) Waiver of the pre-emptive rights in relation to transfer of 3% equity interest in the Target Company from Huibaihong Industrial to the Acquirer;

c) Waiver of the pre-emptive rights in relation to transfer of 12.88% and 18% equity interest in the Target Company from Zangge Group and Zhongsheng Mining to the Acquirer respectively;

d) Waiver of the requirement that Zangge Group shall execute the undertaking as given in the equity-debt swap transaction on 14 June 2019, which stated that “In the event that Zangge Group or Zhongsheng Mining proposes to transfer its equity interest in Julong Copper to other investors, Zangge Holding is entitled to the right of first offer subject to the same conditions”;

e) Approval to enter into the Equity Transfer Agreement with the Acquirer in relation to the transfer of 6.22% equity interest in the Target Company;

f) Approval to enter into an equity transfer agreement with Dapu Industrial in relation to the transfer of 5.88% equity interest in the Target Company;

g) Convene an extraordinary general meeting of Zangge Holding to consider and approve the above provisions c), d) and e).

(2) Under the premise of fulfilling the conditions precedent and obtaining the approval for the abovementioned proposal a) at the board meeting of Zangge Holding, within 5 business days from the execution date of the Agreements, pursuant to the instruction of Shenzhen Chenfang, the Acquirer shall complete the payment for the equity interest transfer and procedures to transfer the 10% equity interest at the same time.



**Stage 2:**

(3) After 15 days from the execution date of the Agreement, Zangge Holding shall convene a shareholders' general meeting in time to consider a series of required internal decision-making documents in relation to the Transaction.

(4) In the event that there are obstacles against the transfer of the 3% equity interest in the Target Company held by Huibaihong Industrial or the release of the frozen 12.88% equity interest in the Target Company held by Zangge Group during the period from the execution date of the Agreement to the completion of convention of shareholders' general meeting of Zangge Holding, Xiao Yongming Party shall guarantee to facilitate Zangge Holding convening a board meeting in respect to the equity interest transfer of the Target Company from Zangge Holding to the Acquirer in a timely manner, so as to complete the internal decision-making procedures in compliance with regulations under different scenarios, for the purpose of ensuring that the Acquirer can obtain 22.1% equity interest in the Target Company which shall have been transferred from the three parties including Huibaihong Industrial, Zangge Group and Zangge Holding.

(5) After fulfilling the conditions precedent to the Transaction and completing the internal decision-making procedures of Zangge Holding, the Acquirer shall complete the acquisitions of 3%, 18% and 12.88% equity interest in the Target Company from Huibaihong Industrial, Zhongsheng Mining, Zangge Group respectively and the transferrable equity interest from Zangge Holding pursuant to the provision (4) above.

(6) Save for the abovementioned covenants, in the event that the total proportion of equity interest transferred in abovementioned steps still cannot reach 50.1%, the Sellers undertook that they will facilitate Zangge Holding in increasing the corresponding equity interest to be transferred to the Acquirer in compliance with laws, so that the proportion of equity interest acquired by the Acquirer can reach 50.1%. The consideration for equity interest transfer shall be executed under the terms of the Overall Equity Transfer Agreement.

(7) Xiao Yongming Party shall ensure that the Acquirer can complete the Acquisition of 50.1% equity interest in the Target Company no later than 40 business days from the execution date of the Agreement. If in the abovementioned period, the Acquirer cannot obtain 50.1% equity interest in the Target Company, the Acquirer is entitled to:

a) continue to acquire the proportion of equity interest of the Target Company as stipulated in the Agreement, and require Xiao Yongming Party to guarantee the unconditional entrusts of the voting and beneficiary rights equal to the difference between the proportion of equity interest already acquired by the Acquirer and the proportion of target equity interest in the Target Company by the relevant Sellers and Zangge Holding to the Acquirer, and undertake to guarantee the relevant Sellers to become the persons acting in concert with the Acquirer, in order to ensure that the Acquirer can obtain the control of the Target Company's operation, and require Xiao Yongming Party to pay to the Acquirer a default penalty of 0.05%

per day on the amount already paid under the Transaction, until the Acquirer has acquired 50.1% equity interest in the Target Company.

b) terminate the Agreement and require the Sellers to return all the payments made by the Acquirer under the Transaction within 2 business days from the date of notification plus a fund occupation fee of 0.05% per day on the amount already paid (the fund occupation fee calculation period is from the payment date of the Acquirer to the payment return date of the Sellers), and compensate for all losses incurred by the Acquirer as a result.

#### **4. Arrangements after execution of the Agreements**

(1) From the execution date of the Agreement, the Acquirer has the right to appoint observers to the projects' sites of the Target Company to observe and understand the relevant operations of the Target Company's mines. The Target Company shall offer all necessary support for the observers appointed by the Acquirer.

(2) Except otherwise provided in the Agreements, without written approval of the Acquirer or its authorised parties, the Sellers shall ensure that from the date of execution of the Agreements to the completion date of the equity interest transfer, the Sellers shall not involve in any relevant actions which will generate any material adverse effect on the Target Company's operation and prejudice the shareholders' interests of the Target Company.

#### **5. Corporate governance after takeover**

On the date the Acquirer completes the industrial and commercial registration procedures for acquisition of 10% equity interest in the Target Company held by Shenzhen Chenfang, the Acquirer shall formally takeover the operation and management of the Target Company. Each party shall undertake to facilitate the convention of shareholders' general meeting, board meeting and supervisory committee meeting of the Target Company, amending the articles of association of the Target Company and appointing or electing new directors, supervisors and senior management. After the restructure, the board of directors of the Target Company shall comprise of 5 directors, of which the Acquirer can nominate 3 persons, Xiao Yongming Party can nominate 1 person and state-owned shareholders can nominate 1 person. The chairman of the board of directors shall be assumed by a director nominated by the Acquirer. The supervisory committee of the Target Company shall comprise of 3 supervisors, of which the Acquirer can nominate 1 person, state-owned shareholders can nominate 1 person, and 1 supervisor shall be the representative of the employees. Each party shall undertake to facilitate the adjustment of senior management team of the Target Company. Among which, the general manager and chief financial officer shall be appointed by the Acquirer, while Xiao Yongming Party shall appoint 1 deputy general manager and 1 deputy chief financial officer (or financial manager).

#### **6. Pre-emptive right**

In the event that after completion of the equity transfer, Xiao Yongming Party proposes to transfer all or

part of its equity interest in the Target Company to any third parties other than Tibet Zijin, Tibet Zijin is entitled to exercise pre-emptive right under the same conditions.

## **7. Obligations of Xiao Yongming Party**

(1) After completion of the equity transfer, Xiao Yongming Party and the Acquirer undertake to facilitate the capital increase of RMB1.6 billion of the Target Company for the purpose of mine construction. If Xiao Yongming Party fails to provide the capital according the proportion of equity interest held, its proportion of equity interest shall be correspondingly diluted.

(2) Xiao Yongming Party shall exert the diligence according to the provisions of the Agreement to continue to apply for the licences and permits required for the production and operation of the Target Company, including the application formalities for the licences and permits of the 150 thousand tonnes/day mining right and all approval procedures for production and construction, in order to jointly ensure the operation of the Target Company in compliance with laws and regulations.

(3) If Xiao Yongming Party fails to complete the application for licences and permits according to the provision (2), it shall bear the default penalty as stipulated in the Agreement and compensate for the loss incurred in the Acquirer as a result.

## **8. Warranty and guarantee**

(1) Each party agreed that any matters relating to the Target Company before the transition to the Acquirer (the "Claim Matters"), including but not limited to any debt, guarantee, issue, liability, claim and administrative penalty, shall be the responsibility of Xiao Yongming Party. If the Target Company and/or the Acquirer incur any loss and liability as a result, the Target Company and/or the Acquirer can recover the loss from Xiao Yongming Party, and Xiao Yongming Party shall recover such loss with all direct or indirect assets, including but not limited to the equity interests and assets of their controlled entities. The Guarantors shall provide unlimited joint and several guarantee liabilities for the abovementioned loss and liabilities for a period of 5 years, except for the portion recognised by the Acquirer pursuant to the Agreement.

(2) Each party agreed that if Xiao Yongming Party cannot fulfill its relevant obligations under the relevant agreements and documents entered into among Xiao Yongming Party, Minsheng Bank, Guosen Securities, Industrial Trust and Haixi Fund in relation to releasing the guarantee liabilities of Julong Copper, which results in any loss or liability to Julong Copper caused by guarantee or repayment liabilities of Julong Copper, Xiao Yongming Party agreed that such matters shall constitute the Claim Matters as defined above, and the Guarantors shall bear the guarantee liabilities for the Target Company and/or the Acquirer based on the executed undertaking letters.

## **9. Guarantee on execution of the Agreement**

(1) Each of Zangge Group and Zhongsheng Mining severally undertook to the Acquirer that they will

provide joint liability guarantee for Zangge Group, Zhongsheng Mining, Huibaihong Industrial, Shenzhen Chenfang, Xiao Yongming Party and Zangge Holding in the full and appropriate execution of all obligations under the Agreement and other transaction documents.

(2) Xiao Yongming Party undertook to the Acquirer that it will provide joint liability guarantee for each Seller, Zangge Holding and Huibaihong Industrial in the full and appropriate execution of all obligations under the Agreements and other transaction documents.

(3) The Guarantors guaranteed to the Acquirer that they shall provide unlimited joint and several guarantee liabilities for all the obligations as stipulated in the Agreements or other transaction documents which shall be carried out fully and appropriately by each Seller, Zangge Holding and Huibaihong Industrial. After completion of the Acquisition of 50.1% equity interest in the Target Company by the Acquirer (subject to the completion of the industrial and commercial registration) pursuant to the Agreements, Xiao Ning and Xiao Yao will no longer bear any guarantee liability under the undertaking letters of the Agreement.

#### **10. Liability for breach of the Agreement**

The Sellers agreed and undertook that if the Sellers do not fulfill relevant obligations within the period stipulated in the Agreement or there is any breach of the Agreement, the Acquirer has the right to require the Sellers to return the payment made by the Acquirer plus a default penalty of 0.05% per day (the penalty calculation period is from the payment date of the Acquirer to the payment return date of the Sellers), and other losses and liabilities incurred as a result shall be compensated by the Sellers. The Acquirer agreed and undertook that if the Acquirer cannot fulfill the payment obligations within the period stipulated in the Agreement, the Sellers have the right to require the Acquirer to pay a default penalty of 0.05% per day based on the outstanding payable amount.

#### **11. Effective period of the Agreement**

The Agreement will become effective from the date of signing or stamping of the Agreement by each party.

**(II) Major contents of the Equity Transfer Agreement entered into between Tibet Zijin (as the acquirer) and Zangge Holding (as the seller) are as follows:**

##### **1. Proposal of the Transaction**

The Seller agreed to transfer the target equity interest to the Acquirer, and the Acquirer agreed to pay the consideration for equity interest transfer in cash.

##### **2. Consideration of the Transaction**

Each party agreed that based on the consideration of RMB7.75 billion for 100% equity interest in Julong Copper in the Transaction, the Acquirer proposed to acquire 6.22% equity interest in the Target Company held by the seller at a consideration of RMB482.05 million.

### **3. Conditions precedent and basis of the Transaction**

Under the premise that all the below conditions precedent are fulfilled within 20 business days from the execution date of the Agreement or before the expiration of other period as agreed by both parties, both parties agreed to carry out the formalities of transfer of the target equity interest under the terms and conditions as stipulated in the Agreement:

(1) The seller has convened a shareholders' general meeting to approve: a) waiver of the pre-emptive rights for transfer of 12.88% and 18% equity interest in the Target Company held by Zangge Group and Zhongsheng Mining respectively; b) waiver of the requirement under the undertaking made by Zangge Group during the equity-debt swap transaction on 14 June 2019, "if Zangge Holding or Zhongsheng Mining proposes to transfer the equity interest in Julong Copper held to other investors, Zangge Holding has the right of first offer under the same conditions"; c) all the conditions precedent to the equity interest transfer as stipulated in the Overall Equity Transfer Agreement have been fulfilled.

(2) If any one of the abovementioned conditions precedent cannot be fulfilled or satisfied within the fulfillment period of conditions precedent to the equity interest transfer, the Acquirer has the right to terminate the Agreement and require the seller to return all payments already made by the Acquirer under the Transaction (if any).

### **4. Conditions to closing and settlement of consideration**

Within five business days of satisfaction of all the conditions precedent in the above provision 3, the seller shall complete the industrial and commercial registration formalities for the transfer to the target equity interest held to the Acquirer. Within five business days of completion of industrial and commercial registration formalities, the Acquirer shall pay the corresponding consideration to the designated bank account of the seller.

### **5. Liability for breach of the Agreement**

(1) The seller agreed and undertook that if the seller fails to fulfill all relevant obligations within the agreed period as stipulated in the Agreement or there is any breach of the Agreement, for each overdue day, the Acquirer has the right to require the seller to pay to the Acquirer a default penalty of 0.05% per day on the amount already paid by the Acquirer, until the seller has fulfilled the relevant obligations.

(2) The seller agreed and confirmed that from the execution date of the Agreement to the date the target equity interest is fully transferred or the Agreement is formally terminated by both parties, it will not continue, commence, seek or use other means to carry out any discussion, connection or negotiation on all the assets of, substantially all the assets of or transactions in relation to the equity interest in the Target Company with any third party. If the seller breaches the abovementioned obligations, the Acquirer shall have the right to terminate the Agreement and require the seller to return any payment for the Transaction already made by the Acquirer pursuant to the Agreement plus a default penalty of 30% on the amount of the

Transaction. Each party also agreed that the abovementioned rights will not affect any Acquirer's right to claim of other obligations for breaching the Agreement from the seller pursuant to the Agreement and the relevant laws and regulations, and the right to require the seller to continue to execute the Agreement.

(3) The Agreement forms one of a series of agreements entered into in relation to transfer of equity interest in the Target Company for the overall Transaction. If termination or cancellation of any transfer agreement in the series of agreements leads to the incapability of the Acquirer to obtain control of the Target Company, the Acquirer shall have the right to terminate the Agreement and require the seller to return all payments already made by the Acquirer under the Transaction (if any).

## **6. Effectiveness of the Agreement**

The Agreement is established from the date of signing or stamping of the Agreement by both parties, and comes into effect upon approval of the proposals in relation to the equity interest transfer and waiver of the relevant pre-emptive rights and right of first offer proposal at the shareholders' general meeting of the seller.

## **(7) Tax liabilities**

The tax arising from or in relation to the Transaction shall be borne by the seller and the Acquirer pursuant to provisions in the laws and regulations.

## **(III) Major contents of the Equity Transfer Agreement entered into between Tibet Zijin (as the acquirer) and Huibaihong Industrial (as the seller) are as follows:**

### **1. Proposal of the Transaction**

The seller agreed to transfer the target equity interest to the Acquirer, and the Acquirer agreed to pay the consideration for equity interest transfer in cash.

### **2. Consideration of the Transaction**

Based on the consideration of RMB7.75 billion for 100% equity interest in Julong Copper in the Transaction, the Acquirer proposed to acquire 3.00% equity interest in the Target Company held by the seller at a consideration of RMB232.5 million.

### **3. Conditions precedent and basis of the Transaction**

Under the premise that all the below conditions precedent are fulfilled within 5 business days from the execution date of the Agreement or before the expiration of other period as agreed by both parties, both parties agreed to carry out the formalities of transfer of the target equity interest under the terms and conditions as stipulated in the Agreement:

(1) The conditions precedent under the Overall Equity Transfer Agreement with respect to the Transaction have been fulfilled.

(2) Where the conditions precedent mentioned in (1) are not fulfilled or satisfied within the fulfillment period of conditions precedent, the Acquirer has the right to terminate the Agreement and require the seller to return all the payments (if any) that have been made by the Acquirer in relation to the Transaction.

#### **4. Conditions to closing and settlement of consideration**

Within five business days of satisfaction of all the conditions precedent mentioned in the above provision 3, the seller shall complete the industrial and commercial registration formalities for the transfer of the target equity interest held to the Acquirer. Within five business days of completion of industrial and commercial registration formalities, the Acquirer shall pay the corresponding consideration for the equity interest transfer to the designated account of the seller.

#### **5. Liability for breach of the Agreement**

(1) If the seller fails to fulfill relevant obligations within the agreed period as stipulated in the Agreement or there is any breach of the agreement, for each overdue day, the Acquirer has the right to require the seller to pay to the Acquirer a default penalty of 0.05% per day on the amount already paid by the Acquirer, until the seller has fulfilled the relevant obligations. The Acquirer agreed and undertook that if the Acquirer fails to fulfill the obligations of payment within the agreed period as stipulated in the Agreement, the seller has the right to require the Acquirer to pay a default penalty of 0.05% per day on the unpaid amount.

(2) The Agreement forms one of a series of agreements entered into in relation to transfer of equity interest in the Target Company for the overall Transaction. If termination or cancellation of any transfer agreement in the series of agreements leads to the incapability of the Acquirer to obtain control of the Target Company, the Acquirer shall have the right to terminate the Agreement and require the seller to return all payments already made by the Acquirer under the Transaction (if any).

#### **(6) Effectiveness of the Agreement**

The Agreement will come into effect from the date of signing or stamping by both parties.

#### **(7) Tax liabilities**

The tax arising from or in relation to the Transaction shall be borne by the seller and the Acquirer pursuant to provisions in the laws and regulations.

### **VI. Asset valuation**

#### **(1) Summary of the valuation**

The Company commissioned Chungrui Worldunion Assets Valuation Group Co., Ltd., which has the qualification to engage in securities and futures business, to conduct valuation on all the equity interest in Julong Copper and issued the Asset Valuation Report on the Project of Proposed Acquisition of Equity Interest in Tibet Julong Copper Co., Ltd. by Zijin Mining Group Co., Ltd.\* (Chungrui Ping Bao Zi [2020]

No. 000442). The major contents of the asset valuation report are summarised as follows:

Purpose of valuation: To value all of the owners' equity of Julong Copper and provide a basis for reference in relation to the value of equity interest in Julong Copper for the proposed Acquisition by Zijin Mining Group Co., Ltd.\*

Valuation object: the valuation object is all of the owners' equity of Julong Copper.

Scope of valuation: the audited total assets and liabilities of Julong Copper as at the base date of valuation.

Base date of valuation: 31 December 2019

Type of value: market value

Approach of valuation: asset-based approach

Effective period of the valuation: The valuation is effective for one year from base date of valuation

Results of the valuation: Asset-based approach is adopted for the valuation to determine the value of all of the owners' equity of Julong Copper. As at the base date of valuation, i.e. 31 December 2019, the audited carrying amount and valuation result of total assets of Julong Copper were RMB11.5637318 billion and RMB18.8108826 billion respectively, and the appreciation rate was 62.67%; the carrying amount and valuation result of total liabilities were RMB9.6173444 billion and RMB10.0421500 billion respectively, and the appreciation rate was 4.42%; the carrying amount and valuation result of net assets were RMB1.9463874 billion and RMB8.7687326 billion respectively, and the appreciation rate was 350.51%.

The table of the valuation results are as follows:

Unit: RMB million

Item		Carrying amount	Valuation result	Increase or decrease	Appreciation rate %
		A	B	C=B-A	D=C/A×100
Current assets	1	1,363.6858	1,363.6858	-	-
Non-current assets	2	10,200.0460	17,447.1968	7,247.1508	71.05
Including: Long-term equity investments	3	317.4387	16.6256	-300.8131	-94.76
Investment properties	4				
Fixed assets	5	893.5627	1,036.8696	143.3069	16.04
Construction in progress	6	7,418.7935	7,131.3800	-287.4135	-3.87
Intangible assets	7	302.7159	8,623.1458	8,320.4299	2,748.59
Including: Land use rights	8	9.7163	13.4014	3.6851	37.93
Rights of the Qulong and Rongmucuola Mines	9	184.6374	7,759.7942	7,575.1568	4,002.72
Right of the Zhibula Mine	10	106.7692	848.3572	741.5880	594.57
Other non-current assets	11	1,267.5353	639.1759	-628.3594	-49.57



<b>Total assets</b>	<b>12</b>	<b>11,563.7318</b>	<b>18,810.8826</b>	<b>7,247.1508</b>	<b>62.67</b>
Current liabilities	13	3,448.0233	3,872.8289	424.8056	12.32
Non-current liabilities	14	6,169.3211	6,169.3211	-	-
<b>Total liabilities</b>	<b>15</b>	<b>9,617.3444</b>	<b>10,042.1500</b>	<b>424.8056</b>	<b>4.42</b>
<b>Net assets (Owner's equity)</b>	<b>16</b>	<b>1,946.3874</b>	<b>8,768.7326</b>	<b>6,822.3452</b>	<b>350.51</b>

## **(2) Selection of valuation approach**

The valuation adopts the asset-based approach. Asset-based approach uses replacement cost of assets as the standard of value to reflect the socially necessary labour consumed by investment in assets (procurement and construction costs). Such procurement and construction costs usually change based on the variation of national economy. In the meantime, the values of the Qulong Copper and Polymetallic Mine and the Rongmucuola Copper Mine as well as the Zhibula Copper and Polymetallic Mine, which the future production and operation of Julong Copper shall rely on, are reflected in the valuation of intangible assets - mining rights. The asset-based approach objectively reflects the market value of the net assets of the enterprise from the perspective of asset construction, meanwhile altogether taking into account of the future operating returns of the enterprise. Asset-based approach is more stable and objective, and the adoption of asset-based approach can lay down a solid foundation for the upcoming operation of enterprise.

## **(3) Appreciation in the valuation**

The appreciation of Julong Copper in the valuation is mainly attributable to the appreciation of mining rights under the intangible assets of non-current assets. The appreciation of rights of the mines is mainly attributable to the relatively low acquisition costs and original costs of mining rights. The valuation of rights of the mines adopts discounted cash-flow method to reflect the returns generated by enterprises in the coming years.

On the base date of valuation, the value of the mining right of the Qulong Copper and Polymetallic Mine and the detailed exploration right of the Rongmucuola Copper Mine in Maizhokunggar County, Lhasa City, Tibet of Tibet Julong Copper Co., Ltd. is RMB7.7597942 billion.

On the base date of valuation, the value of the Zhibula Copper and Polymetallic Mine in Maizhokunggar County, Tibet is RMB848.3572 million.

## **VII. Consideration for the Transaction**

According to the valuation report prepared by Chung Rui Worldunion Assets Valuation Group Co., Ltd., as at the base date of valuation, i.e. 31 December 2019, the value of all owner's equity of Julong Copper was RMB8,768,732,600.

In the Transaction, the value of 100% equity interest in Julong Copper is determined to be RMB7.75 billion.

The determination of consideration in the Transaction is mainly based on 1) the abovementioned valuation results; 2) the due diligence, economic research on mining and processing technologies and financial analysis conducted by the Company on the Target Company, taking into account factors including the prospect assessment of the target assets by the Company and impact on the Company's operation and strategy in the future; and 3) with reference to the consideration of RMB7 billion in the transfer of 37% equity interest in Julong Copper from Zangge Group to Zangge Holding in 2019, its agreement term that Zangge Holding has the right to require Zangge Group to repurchase the equity interest at an annualised return rate of 12%, and other factors. After giving full consideration and evaluation of the above factors, the consideration was determined under normal commercial terms and after arm's length negotiation.

Considering that the project possesses a large volume of low-grade resources, subject to feasible economic conditions, effectively utilising the resources will evidently elevate the value of the enterprise. If the phase 2 project of additional mining and processing scale of 150 thousand tonnes/day fulfills the conditions as stipulated in the Agreement, the Acquirer shall make certain compensation to the sellers of the equity interest in Julong Copper this time.

### **VIII. Significance and impacts of the Transaction on the Company**

#### **(I) Control and development of the largest copper mine in China is in line with the western development strategy of the state in the new era**

On 17 May 2020, the Central Committee of the Communist Party of China and the State Council issued the Guideline on Advancing the Development of Western Region in New Era, which suggested that "where the conditions allow to carry out development and utilisation projects of local processing and conversion of energies and resources in the western region, the government supports to prioritise planning and constructing in the western region as well as approving the application".

Tibet, the region which owns the largest volume of copper resource reserve in China, has a batch of world-class large-scale copper mines, including the Qulong Copper Mine, the Yulong Copper Mine and the Duolong Copper Mine. Tibet is the major location for copper mineral production in China in the new era, and remains a project investment location which the Company has been following and paying attention to for a long time.

The Company is of the view that the active participation in the development of advantaged mineral resources of Tibet is in line with the requirements of national policies and the designated development strategy of the Company. After the successful development of the project, the Company will become the producer holding the largest stand-alone copper mine in China. It will generate significant impact on further increasing the strategic national copper resource reserve, ensuring the supply of important material of the state and promoting the economic and social development of Tibet.

The government of Tibet Autonomous Region attaches great importance to the project development. At the

same time as the Company proceeds with the Acquisition, the state-owned shareholders of Tibet synchronously increase its equity interest proportion in Julong Copper. Added with the state-owned nature of the Company, the proportion of state-owned capital forms relative advantage, which shall benefit the subsequent development of the mines.

**(II) Further elevating the copper resource reserve and production volumes in China and evidently enhancing the sustainable development capabilities**

At present, the Company owns over 57.25 million tonnes of copper. It is one of the enterprises controlling the largest volume of copper resources in the PRC. From the perspective of resources reserves of the Company, 82% of the copper projects are located overseas. Major mines such as Kamo and Timok will successively commence production from 2021 to 2022, becoming important growth drivers of the Company. In terms of domestic projects, although Zijinshan, Duobaoshan and other copper mines within the PRC possess certain volume of resources reserves and initially reach the annual production scale of 100 thousand tonnes of copper metal, there is a lack of super large-scale projects in China to support long-term and steady development of the Company.

Julong Copper owns abundant resources reserve volumes and provides favorable mining conditions. The projects have the conditions for the construction of a world-class super large-scale copper mine (phase 1 project: annual copper production volume of 160 thousand tonnes; phase 2 project: annual copper production volume of 260 thousand tonnes). The Company is of the view that control and development of the copper mineral resources of Julong Copper can substantially increase the copper resource reserve and production volumes of the Company, improve the domestic and overseas structure of resources and products of the Company, lay a solid foundation for the Company to realise “double wheels to drive forward” home and abroad in the context of post-pandemic global mining development roadmap, and exert strategic significance for the sustainable and steady development of the Company.

The development of Julong Copper may generate synergy with the project constructions and operations of the Company’s associate projects in Tibet, namely the Yulong Copper Mine and the Tianyuan Copper and Gold Mine.

**(III) Nearly half of the project constructions are completed, completion of construction and production commencement can be reached quickly**

Julong Copper has obtained majority of licences and permits required for construction and production, and nearly half of the Qulong phase 1 construction and investment are completed. Overall allocation, technique structure and types of equipment are basically in reasonable layout, which can satisfy the demand of large-scale, long-term development of the mines. Due to the capital difficulties of the controlling shareholder, the constructions cannot be pushed forward. After completion of the Acquisition, the Company will relaunch the project construction and conduct upgrade as soon as possible, and strive to complete construction and commence production by the end of 2021. Meanwhile, the Company will accelerate the

production commencement and operation of the Zhibula Copper and Polymetallic Mine project, which has basically completed with construction, in order to generate cash flows and profits at a high speed.

The Company has technological advantage in developing low-grade porphyry-type copper mines and experience in successful mine operation at plateau area. The Company's "integrating five ore treatment processes into one" project management model exhibits outstanding strength in the aspects of large-scale engineering development and green eco-mine development. The Company will pace up in promoting construction completion, production commencement and reaching production capacity and targets of the project.

#### **(IV) Evident advantage in financing and cost, and quick investment return is expected**

With a generally favorable investment environment in Tibet Autonomous Region and a relatively low overall financing cost, the capital cost required for further development and operation of the Company may be lowered. Large-scale open-pit mining can be realised in the projects, with a low stripping ratio and controllable operating costs, it is expected that the economic efficacies will be considerable. The projects are under construction and able to reach the goal of speedy production commencement, which will make new contribution to the operating results and development of the Company.

The fund required for the Acquisition is RMB3.88275 billion, representing 7.59% of the audited net assets attributable to the parent of the Company as at the end of 2019. The fund for the Acquisition will be self-financed by the Company or obtained by syndicated loan.

Presently, the Target Company has a high debt ratio. After completion of the Acquisition, the financial results of the Target Company will be consolidated into the scope of consolidated financial statements of the Company. Increase in the Target Company's capital will be arranged to ensure that the project construction can obtain the necessary funds required. The debt-to-asset ratio of the Company will be increased in a short term. Yet, with completion of construction and commencement of production of the projects, particularly after profits are realised in the project, the debt-to-asset ratio of the Company will drop rapidly.

#### **IX. Opinion of independent Directors**

The Acquisition of 50.1% equity interest in Julong Copper by the Company complies with the Company Law of the PRC and other relevant laws, rules and regulatory documents. The Transaction does not constitute a connected transaction, nor a material asset restructuring as stipulated in Administrative Measures on Significant Asset Restructuring of Listed Companies.

The Transaction falls into the scope of investment decision of the Board. The convention and voting procedures of the Board meeting complied with relevant provisions in laws, regulations and the articles of association of the Company, and the resolutions reached were legitimate and effective.

The Acquisition was concluded under negotiation of both parties to the Transaction, and the determination of consideration is fair and reasonable. The Transaction is beneficial to the Company for further increasing high-quality resources and realising sustainable development. It is in line with the interests of the Company and shareholders as a whole, and does not prejudice the interests of the Company and its shareholders, especially those of minority shareholders.

One of the independent Directors who is a geologist conducted an on-site research and had an overall positive view.

In conclusion, the independent Directors agree on the Acquisition of the Company.

#### **X. Specialised legal opinion**

The Company engaged Beijing Yuren Law Firm to issue a specialised legal opinion in relation to the issues of rights of the mines involved in the Acquisition of 50.1% equity interest in Julong Copper by Tibet Zijin.

Beijing Yuren Law Firm conducted full due diligence with respect to the qualification of subjects of both parties in the Transaction, basic information of the acquisition target, shareholding structure before and after the Transaction, pledge and freezing of equity interest in the Target Company held by the shareholders, basic information of the rights of the mines involved in the Transaction, limitation on the rights of the mines, authorisation and approval of the Transaction, the Transaction not involving approval for mining right transfer, qualification for specific mine type, entry barrier of the industry, valuation procedures implemented in the Transaction and other aspects. Its concluding opinion is as follows: as at the issuance date of the legal opinion, (1) both parties to the Transaction are qualified as the subject to engage in the Transaction; (2) except for the authorisations and approvals pending to be received, the Transaction has obtained other required authorisations and approvals at the current stage; (3) the rights of the mines involved in the Transaction is clear in terms of ownership. Except for the pledged and frozen rights of the mines disclosed in (4) of the legal opinion, there is no other mortgage, sealing-up, freezing or limit on other rights, nor dispute on ownership; (4) the Transaction does not involve any approval matters in relation to mining right transfers, nor a condition that Tibet Zijin shall possess certain qualification for specific mine type or achievements of entry barrier into the industry; and (5) Zijin Mining engaged mining right valuation agency, with qualification to carry out valuation on the value of equity interest of the Target Company, and determined the values of the rights of the mines involved in the Transaction. The relevant valuation results are within the effective period.

#### **XI. Risks of the Transaction**

(1) Risks of incapability to release pledged and frozen target equity interest of the Acquisition on time

As at the date of this announcement, Zangge Group and Zhongsheng Mining, the counterparties of the Transaction, respectively have 12.88% and 18% of equity interest in the Target Company under pledge or

frozen. Zangge Holding proposed to transfer equity interest and waive the pre-emptive rights and right of first offer, and such transfer and waivers are subject to the approvals at its shareholders' general meeting.

During the process of the Transaction, by means of payment in tranches, implementation in various stages and layer-upon-layer arrangement, the Company will ensure that the counterparties of the Transaction will complete the release of the pledged and frozen equity interest and waiver of pre-emptive rights of equity interest in Julong Copper before completion. Yet, there are risks that the target equity interest cannot be transferred or cannot be transferred on time resulting from the possible incapability to release the pledged and frozen equity interest on time, and the relevant waivers cannot be approved at the shareholders' general meeting of Zangge Holding.

(2) Risks arising from Julong Copper's provision of substantial amounts of guarantees to Zangge Group and its connected parties

As at the date of this announcement, Julong Copper has provided guarantees of RMB1.664 billion, RMB1.5 billion and RMB0.2 billion to Zangge Group, Sichuan Yonghong Industry Company Limited (a connected person of Zangge Group) and Qinghai Zhonghao respectively. Notwithstanding that Zangge Group, its connected persons and the lenders have provided plans to the release of guarantee liabilities to the Company and Julong Copper and made relevant arrangements during the process of the Transaction, in order to release the relevant guarantee liabilities of Julong Copper as soon as possible, and that Xiao Yongming Party have provided the corresponding collaterals and pledges, the Target Company may be subject to substantial contingent liability risks resulting from incapability to release the guarantees on time.

(3) Risks of failure to obtain relevant rights and permits on schedule

Julong Copper has not yet obtained the major forestry and grassland use rights and permits, and certain forestry are subject to the risks of illegal occupation and penalties. The mining right and permit of the Zhibula Copper and Polymetallic Mine has to be extended. The Rongmucuola Copper and Polymetallic Mine is still in the process of extending the exploration permit and application of mining permit. Certain environmental impact assessment, safety assessment and production safety permits are not yet obtained. Due to the adjustment in national mining right policies, problems may exist in additional payment for the fees, hence increasing the capital investment.

Although no material legal obstacle exist for Julong Copper in terms of further approval, filings, qualifications and the relevant formalities is proactively pushed forward, there are risks that project production commencement and capacity fulfillment may be impacted from failure to receive the relevant rights and permits on time.

(4) Risks of failure to commence production as scheduled

The project is located in plateau area, subject to relatively higher in construction and a number of historical problems, which may affect the construction and operation of the Company. There are risks that the

construction progress may fall short of expectation and production capacity cannot be realised based on designated capacity and standard, and the certain environmental and social pressures may exist.

#### (5) Risks of metal price fluctuation

The Qulong Copper and Polymetallic Mine and the Rongmucuola Copper and Polymetallic Mine are porphyry-type copper mines with comparatively low grade overall. The economic efficacies of the projects are highly sensitive to copper price changes. If copper price fluctuates substantially in the future, there will be large degree of uncertainties in the profitability of the projects.

### **General information**

#### Reasons for and benefits of the proposed Transaction

The Company is principally engaged in the mining, production, refining and sales of gold and other mineral resources. Completion of the Transaction can substantially increase the copper resource reserve and production volumes of the Company and improve the domestic and overseas structure of resources and products of the Company. Therefore, the Directors including the independent non-executive Directors consider that the terms of the Transaction are in ordinary course of business and on normal commercial terms and fair and reasonable and in the interest of the Company and its Shareholders as a whole.

#### Material interest

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Transaction and is required to abstain from voting at the Board meeting approving the Transaction.

As one or more of the applicable percentage ratios in relation to the Transaction (as set out in the Listing Rules) is/are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

The Transaction does not constitute a connected transaction nor a material asset restructuring.

The Transaction does not constitute a Connected Transaction under Chapter 14A of the Listing Rules.

The Transaction was considered and approved by the Board and it is not necessary to be approved at a shareholders' general meeting of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of Julong Copper, the Sellers and their ultimate beneficial owners and the Guarantors are third parties independent of the Company and the Connected Persons of the Company.

**The Transaction shall be completed in phases, subject to multiple conditions precedent. The success of the Transaction is subject to uncertainties. Investors should be aware of investment risks.**

**This announcement is written in both Chinese and English. In the case of any discrepancies, the Chinese version shall prevail over its English version.**

### **Definitions**

In this announcement, unless otherwise indicated in the context, the following expressions have the meanings set out below:

“Board” or “Board of Directors”	the board of Directors of the Company
“Company” or “Zijin Mining”	Zijin Mining Group Co., Ltd.* (紫金礦業集團股份有限公司), a joint stock limited company incorporated in the PRC
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement(s)” or “Agreement(s)”	the Equity Transfer Agreement in relation to Tibet Julong Copper Co., Ltd. entered into among Tibet Zijin, Zangge Group, Zhongsheng Mining, Shenzhen Chenfang, Xiao Yongming and Julong Copper on 6 June 2020 and/or the Equity Transfer Agreement in relation to Tibet Julong Copper Co., Ltd. entered into between Tibet Zijin and Zangge Group on 6 June 2020 and/or the Equity Transfer Agreement in relation to Tibet Julong Copper Co., Ltd. entered into between Tibet Zijin and Huibaihong Industrial on 6 June 2020
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huibaihong Industrial”	西藏匯百弘實業有限公司 (Tibet Huibaihong Industrial Co., Ltd.)
“Julong Copper” or “Target Company”	西藏巨龍銅業有限公司 (Tibet Julong Copper Co., Ltd.)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong SAR, Macau SAR and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Shenzhen Chenfang”	深圳臣方資產管理有限公司 (Shenzhen Chenfang Asset Management Company Limited)
“Tibet Zijin” or “Acquirer”	西藏紫金實業有限公司 (Tibet Zijin Industrial Co., Ltd.), a wholly-owned subsidiary of the Company
“Transaction” or	the proposed acquisition by the Company, through Tibet Zijin, of an



“Acquisition”	aggregate of 50.01% of the equity interest in Julong Copper held by Zangge Group, Zangge Holding, Zhongsheng Mining, Shenzhen Chenfang and Huibaihong Industrial
“Zangge Group”	西藏藏格創業投資集團有限公司 (Tibet Zangge Venture Capital Group Co., Ltd.)
“Zangge Holding”	藏格控股股份有限公司 (Tibet Holding Limited by Share Ltd)
“Zhongsheng Mining”	西藏中勝礦業有限公司 (Tibet Zhongsheng Mining Co., Ltd.)
“%”	per cent

**Investors and shareholders are advised by the Board to exercise caution when dealing in the securities of the Company.**

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Chen Jinghe (Chairman), Lan Fusheng, Zou Laichang, Lin Hongfu, Ms. Lin Hongying and Mister Xie Xionghui as executive directors, Mister Li Jian as non-executive director, and Messrs. Zhu Guang, Mao Jingwen, Li Changqing, He Fulong and Suen Man Tak as independent non-executive directors.

By Order of the Board of Directors  
**Zijin Mining Group Co., Ltd.\***  
**Chen Jinghe**  
*Chairman*

7 June 2020, Fujian, the PRC

*\* The Company's English names are for identification purpose only*