THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to what action to take, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Daye Non-Ferrous Metals Mining Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

中國大冶有色金屬礦業有限公司

China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00661)

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

AMASSE CAPITAL

寶 積 資 本

A letter from the Board is set out on pages 7 to 48 of this circular. A letter from the Independent Board Committee is set out on page 49 of this circular. A letter from the Independent Financial Adviser is set out on pages 50 to 101 of this circular. A notice convening the SGM to be held at Function Room 4 & 6, 3/F, The Mira Hong Kong, Mira Place, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 11 January 2023 at 10:00 a.m. is set out on pages SGM-1 to SGM-6 of this circular. A form of proxy for use at the SGM is enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.hk661.com).

Whether or not you are able to attend the SGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the SGM or any adjournment thereof if they so wish and in such event, the proxy form shall be deemed to be revoked.

23 December 2022

CONTENTS

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

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"China No. 15 Metallurgical"	China No. 15 Metallurgical Construction Group Co., Ltd.* (中國十五冶金建設集團有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of CNMC
"China Times"	China Times Development Limited, a company incorporated in the British Virgin Islands with limited liability and the immediate controlling Shareholder
"CNMC"	China Nonferrous Metal Mining (Group) Co., Ltd* (中國有色礦業集團有限公司), a limited liability company incorporated in the PRC and a controlling Shareholder
"CNMC Financial Company"	Nonferrous Mining Group Financial Company Limited* (有色礦業集團財務有限公司), a limited liability company incorporated in the PRC and a non-wholly owned subsidiary of CNMC
"CNMC Financial Services Framework Agreement"	the financial services framework agreement dated 22 November 2022 entered into between the Company and CNMC, the details of which are set out in this circular
"CNMC Group"	CNMC and its subsidiaries
"CNMC Group Purchase and Production Services Framework Agreement"	the purchase and production services framework agreement dated 22 November 2022 entered into between the Company and CNMC, the details of which are set out in this circular

"Company"	China Daye Non-Ferrous Metals Mining Limited (Stock Code: 661), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Current Bye-Laws"	the bye-laws of the Company currently in force
"Daye Metal"	Daye Non-ferrous Metals Co., Ltd.* (大冶有色金屬有限責任公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company
"Director(s)"	directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huangshi State-owned Assets Management"	Huangshi State-owned Assets Management Co., Ltd.* (黃石市國有資產經營有限公司), a limited liability company established in the PRC
"Huangshi Xingang Development"	Huangshi Xingang Development Co., Ltd.* (黃石新港開發有限公司), a limited liability company incorporated in the PRC, holding 16% equity interests of Yangxin Hongsheng
"Independent Board Committee"	the independent board committee of the Company comprising Mr. Wang Qihong, Mr. Wang Guoqi and Mr. Liu Jishun, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps

"Independent Financial Adviser"	Amasse Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps
"Independent Shareholders"	the Shareholders other than China Times, the Parent Company, CNMC and their respective associates
"independent third party"	a person or entity who is not a connected person of the Company
"Latest Practicable Date"	20 December 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Market Price"	means such price(s) that: (1) the contracting party (as the supplier of products or service) provides such products or services to independent third parties for the same or similar products or services; (2) independent third parties provides such products or services to other independent third parties for the same or similar products or services; or (3) as determined by industry standards or practice for the same or similar products or services
"New Copper Cathode Production Plant"	a high purity copper cathode production plant owned by Yangxin Hongsheng located in Huangshi Xingang (Logistics) Industrial Park, Huangshi, Hubei, the PRC, with a production capacity of 400,000 tonnes per year and a total site area of approximately 1 million square metres

"Non-Exempt Connected Transaction Agreements"	collectively, (i) the Parent Group Sales Framework Agreement, (ii) the Yangxin Hongsheng Sales Framework Agreement, (iii) the Parent Group Purchase and Production Services Framework Agreement, (iv) the CNMC Group Purchase and Production Services Framework Agreement, (v) the Yangxin Hongsheng Purchase Framework Agreement, (vi) the Parent Group Combined Ancillary Services Framework Agreement, and (vii) the CNMC Financial Services Framework Agreement
"Non-Exempt Continuing Connected Transactions"	the continuing connected transactions consisting of the provision of deposit services by the Group to the CNMC Group and the bills acceptance and settlement and foreign exchange settlement and sales services by the CNMC Group to the Group under the CNMC Financial Services Framework Agreement and the transactions contemplated under each of (i) the Parent Group Sales Framework Agreement, (ii) the Yangxin Hongsheng Sales Framework Agreement, (iii) the Parent Group Purchase and Production Services Framework Agreement, (iv) the CNMC Group Purchase and Production Services Framework Agreement, (v) the Yangxin Hongsheng Purchase Framework Agreement, and (vi) the Parent Group Combined Ancillary Services Framework Agreement
"Parent Company"	Daye Nonferrous Metals Group Holdings Company Limited* (大冶有色金屬集團控股有限公司), a limited liability company incorporated in the PRC and a controlling Shareholder
"Parent Group"	the Parent Company and its subsidiaries
"Parent Group Combined Ancillary Services Framework Agreement"	the combined ancillary services framework agreement dated 22 November 2022 entered into between the Company and the Parent Company, the details of which are set out in this circular
"Parent Group Purchase and Production Services Framework Agreement"	the purchase and production services framework agreement dated 22 November 2022 entered into between the Company and the Parent Company, the details of which are set out in this circular

"Parent Group Sales Framework Agreement"	the sales framework agreement dated 22 November 2022 entered into between the Company and the Parent Company, the details of which are set out in this circular
"PBOC"	The People's Bank of China
"percentage ratio"	has the meaning ascribed to it under Chapter 14 of the Listing Rules
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administration of the People's Republic of China and Taiwan
"Proposed Annual Caps"	the proposed annual caps for each of the three years ending 31 December 2025
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM" or "Special General Meeting"	a special general meeting of the Company to be held to consider and if thought fit, approve the Non-Exempt Continuing Connected Transactions and their Proposed Annual Caps
"Share(s)"	share(s) of the Company
"Shareholder(s)"	holder(s) of the share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD"	United States dollars, the lawful currency of the United States
"Yangxin Hongsheng"	Yangxin Hongsheng Copper Industry Company Limited (陽新弘盛銅業有限公司), a non-wholly owned subsidiary of the Company
"Yangxin Hongsheng Purchase Framework Agreement"	the purchase framework agreement dated 22 November 2022 entered into between the Company and Yangxin Hongsheng, the details of which are set out in this circular

"Yangxin Hongsheng Sales Framework Agreement"	the sales framework agreement dated 22 November 2022 entered into between the Company and Yangxin Hongsheng, the details of which are set out in this circular
"%"	per cent

* *For identification purpose only*

中國大冶有色金屬礦業有限公司
China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 00661)

Executive Directors:
Mr. Xiao Shuxin *(Chairman)*
Mr. Long Zhong Sheng
(Chief Executive Officer)
Mr. Chen Zhimiao
Mr. Zhang Guangming

Independent Non-executive Directors:
Mr. Wang Qihong
Mr. Wang Guoqi
Mr. Liu Jishun

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
Room 1, 11/F
China United Plaza
1008 Tai Nan West Street
Kowloon
Hong Kong

23 December 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

Reference is made to the announcement of the Company dated 22 November 2022 in relation to, among other things, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

The purpose of this circular is to provide you with, among other things:

(i) further details of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps;

(ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps;

(iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps;

(iv) the financial and other information of the Group; and

(v) the notice of SGM.

At the SGM, resolutions will be proposed to approve the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

II. MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

1. CNMC Financial Services Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company
	(2) CNMC
Nature of transactions:	The Group shall place deposits with the CNMC Group.
	The CNMC Group shall provide to the Group the following financial services: loans, guarantees and integrated credit facilities, bills acceptance and settlement, foreign exchange settlement and sales and such other financial services as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Price of services:	With reference to the fees charged by commercial banks for similar services, subject to compliance with applicable laws and regulations and provisions of PBOC on interest rate management.

To ensure that the pricing policies under the CNMC Financial Services Framework Agreement are complied with, prior to conducting the connected transactions under the CNMC Financial Services Framework Agreement, the Group will enquire with third party commercial banks about the interest rates for loans and deposits of the same term and the fees for provision of similar financial services charged by them, to compare with the interest rates for loans and deposits and fees charged for the connected transactions between the Group and the CNMC Group and determine the relevant interest rates and fees in accordance with the pricing policies under the CNMC Financial Services Framework Agreement. The Group will seek to obtain quotations from at least three independent third party commercial banks in each case where practicable.

Time and method of payment:	Based on market practice.
Deposit and loan amounts:	The average daily amount of deposits placed by the Group with the CNMC Group must not exceed the average daily amount of outstanding loans extended by the CNMC Group to the Group. The average daily amount of deposits is arrived by dividing the cumulative amount of fund balances collected by the Group at a fixed time point each day within a period (365 days) by 365 days. The average daily amount of outstanding loans is arrived by dividing the cumulative amount of the daily outstanding loans balance of the CNMC Group used by the Company within a period (365 days) by 365 days.
Set-off upon default on deposits:	If CNMC Group is unable to return on time the deposits (including accrued interest) placed to it by the Group, the Group shall have the right to: (i) terminate the CNMC Financial Services Framework Agreement; and (ii) set off such deposits (including accrued interest) against the outstanding loans (including accrued interest) extended by CNMC Group to the Group.

Compensation for losses suffered by the Group:	CNMC Group shall fully compensate the Group for any loss incurred by the Group (including in relation to the amount of outstanding deposits or loans and accrued interest or any related expenses incurred) as a result of any of the following: (i) the CNMC Group breaches, or is likely to breach, any PRC laws or regulations; (ii) the occurrence of, or likely occurrence of, any material problem in the CNMC Group's operations or difficulties in payment; or (iii) the CNMC Group does not comply or breaches the CNMC Financial Services Framework Agreement.
Undertaking by CNMC:	CNMC undertakes to the Group that if CNMC Financial Company experiences or foresees any difficulties in payment, CNMC will inject capital into CNMC Financial Company based on the latter's needs in order to ensure the latter's normal operations.

Historical figures, existing annual caps and Proposed Annual Caps

(a) Deposit services

The table below sets out the historical figures, existing annual caps and the Proposed Annual Caps in respect of the deposit services to be provided by the Group to the CNMC Group under the CNMC Financial Services Framework Agreement:

Year ended 31 December 2020		**Year ended 31 December 2021**		**Year ending 31 December 2022**		**Year ending 31 December 2023**	**Year ending 31 December 2024**	**Year ending 31 December 2025**
Annual cap	**Actual amount** *(audited)*	**Annual cap**	**Actual amount** *(audited)*	**Annual cap**	**Actual amount (up to 31 October 2022)** *(unaudited)*	**Proposed annual cap**	**Proposed annual cap**	**Proposed annual cap**
(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
2,681,869	305,250	2,885,041	789,393	3,110,325	1,042,139	2,697,750	2,827,221	2,929,468

The above Proposed Annual Caps refers to the daily maximum deposit balance. The Proposed Annual Caps were determined with reference to the: (i) amount of deposits (including accrued interests) historically made by the Group; (ii) estimated daily cash flow of the Group for the three years ending 31 December 2025, having considered the business operations needs and expected development of the Group; and (iii) expected interest rate by reference to prevailing interest rates on deposits offered by other finance companies in the PRC.

The low utilization rate of the annual caps in the three years ended 31 December 2022 was due to three reasons: the impact of the epidemic, delay in the commencement of operation of Yangxin Hongsheng and suspension of production due to rectification of mines and smelters. Due to the various epidemic prevention and control measures imposed by the government, there is a slowdown of the general operation of the Group and the Sareke Copper Mine also ceased operations. As a result, the production level of the principal products of the Company dropped. Furthermore, it was originally planned that the New Copper Cathode Production Plant of Yangxin Hongsheng would commence production of copper cathode in the first half of 2021 as disclosed in the circular dated 27 December 2019. However, the date of commencement of production was delayed by over one year which affected the volume of services and/or products purchased or provided by the Company. As disclosed in the announcement dated 14 September 2021, there was a rectification of mines and smelters in September 2021 which led to halting of production of the Company due to environmental inspections. The halting of the production of Fengshan Copper Mine and low-load production in mines such as Sareke Copper Mine resulted in a decline in the output level of self-owned mines. The instant and long-term rectification measures of smelting plants taken by the Company resulted in a decline in production since September 2021 till now. The rectification plans are expected to be partly completed by 2023 and the production of mines and smelters will be able to resume gradually.

The historical transaction amounts from 2020 to 2022 were relatively low when compared with the respective annual caps due to the three events mentioned above. As the government began to relax the epidemic control measures, it is expected that the relevant transaction amount would increase as the Group would increase its production level. Therefore, the historical transaction amounts for 2020 to 2022 would not be an accurate reference for projection of the expected amount of deposits to be placed by the Group with the CNMC Group in the next three years ending 31 December 2025.

There will be an increase in the Proposed Annual Caps for 2023 to 2025 compared to the existing annual caps in respect of the deposit services provided by CNMC Financial Company to the Group, mainly due to the significant increase in the working capital requirement as compared to the previous years as Yangxin Hongsheng and the New Copper Cathode Production Plant commenced operation. Based on the relevant requirements of CNMC and for the purpose of better managing the funding of its subordinate entities on a centralized basis, after taking into account the interest rate on demand deposit offered by CNMC Financial Company, the Group expects that its current funds will be mainly deposited with CNMC Financial Company.

The amount of services provided by the Group to the CNMC Group is approximately RMB2.7 to 2.9 billion per year for the three years ending 31 December 2025, which is mainly contributed by the amount of secured revolving credit facility used as working capital of the Group received by the Company from banks (approximately RMB600 million). The Group's daily available cash balance is partly constituted by the cash flow cycle of trade receivables. During the two years ended 31 December 2021 and the ten months ended 31 October 2022, the said balance (excluding any cash and/or bank balances that had been earmarked for specific development/operation purpose) had reached as high as approximately RMB2.5 billion. As the New Copper Cathode Production Plant has commenced operation, the Group's production capacity would be increased. Therefore, it is expected that the cash flow of trade receivables would be strengthened and the cash flow cycle would be shortened. The Group would thus place more deposits with the CNMC Group in the three years ending 31 December 2025.

As the highest applicable percentage ratio in respect of the Proposed Annual Caps exceeds 25%, the deposit services under the CNMC Financial Services Framework Agreement constitute (i) a continuing connected transaction that is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) a major transaction that is subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14 of the Listing Rules.

(b) Loans, guarantees and integrated credit facilities services

The loans, guarantees and integrated credit facilities services will be provided by the CNMC Group for the benefit of the Company on normal commercial terms similar to those for comparable services in the PRC and no security over the assets of the Group will be granted. Therefore, the provision of such services will constitute continuing connected transactions that are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

(c) Bills acceptance and settlement and foreign exchange settlement and sales services

In order to more effectively monitor the transaction amounts of foreign exchange settlement and sales services, the Company has determined that such transaction amounts shall be based on the aggregate of the amount of foreign currency exchanged (inclusive of the service fees), instead of based solely on the service fees.

The table below sets out the historical figures, existing annual caps and the Proposed Annual Caps in respect of the bills acceptance and settlement and foreign exchange settlement and sales services to be provided by the CNMC Group to the Group under the CNMC Financial Services Framework Agreement:

Year ended 31 December 2020		**Year ended 31 December 2021**		**Year ending 31 December 2022**		**Year ending 31 December 2023**	**Year ending 31 December 2024**	**Year ending 31 December 2025**
Annual cap	**Actual amount** *(audited)*	**Annual cap**	**Actual amount** *(audited)*	**Annual cap**	**Actual amount (up to 31 October 2022)** *(unaudited)*	**Proposed annual cap**	**Proposed annual cap**	**Proposed annual cap**
(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
6,120,300	313,028	11,090,900	2,479,759	16,502,900	1,363,097	8,286,025	8,288,625	8,288,625

The above Proposed Annual Caps were determined with reference to the: (i) historical amount of foreign exchange transacted by the Group; (ii) fees of bills acceptance and settlement services historically received by the Group; (iii) cost of similar financial services charged by other independent commercial banks taking into account the benchmark interest rates quoted by the PBOC from time to time; and (iv) the anticipated amount of bills acceptance and settlement and foreign exchange settlement and sales services to be purchased by the group from the CNMC Group for the three years ending 31 December 2025.

For each of the three years ending 31 December 2025, the Group expects to purchase foreign exchange and settlement services from CNMC Financial Company to satisfy around 20% of its total requirements for foreign exchange services. As for the remaining requirements, the Group will purchase foreign exchange services from other commercial banks and institutions under comparable charge rate and service fee rate to diversify the supply of services and maintain good business relationship with the commercial banks and institutions. Based on its estimations on the amounts and prices of raw materials to be imported by the Group, it is expected that the total foreign exchange transaction amount of the Group for each of the three years ending 31 December 2025 will be approximately RMB42.2 billion. Entering into such foreign exchange transactions is because the revenue of the Group is primarily denominated in RMB while payments to certain raw material suppliers in the international market (including suppliers of copper concentrate and blister copper) need to be settled in USD.

As the annual caps in 2021 and 2022 were determined taking into account of the fact that the New Copper Cathode Production Plant would come into operation in 2021. The delay in the commencement of operation of the New Copper Cathode Production Plant resulted in the low utilization rate of the annual caps in 2021 and 2022. It is expected that the Proposed Annual Caps will be more fully utilised as the New Copper Cathode Production Plant has come into operation.

There will be in an increase in the Proposed Annual Caps for 2023 to 2025 compared to the existing annual caps in respect of bills acceptance and settlement and foreign exchange settlement and sales services provided by CNMC Financial Company to the Group, mainly because it is expected that the Group's requirements for foreign currency will increase as a result of purchase of raw materials from the international market as Yangxin Hongsheng commenced operation.

As the highest applicable percentage ratios in respect of the bills acceptance and settlement and foreign exchange settlement and sales services under the CNMC Financial Services Framework Agreement exceed 5%, the bills acceptance and settlement and foreign exchange settlement and sales services under the CNMC Financial Services Framework Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transactions

CNMC Financial Company is a non-wholly owned subsidiary of CNMC. It is regulated by PBOC and CBRC to provide financial services to other members of the Parent Group and the CNMC Group. The Directors consider there are numerous advantages of utilising the financial services provided by CNMC Financial Company over similar services provided by other independent commercial banks in the PRC for the following reasons:

- similar to other independent commercial banks in the PRC, CNMC Financial Company will be regulated by the PBOC and the CBRC, and will provide services pursuant to the relevant rules and requirements, including capital risk guidelines and requisite capital adequacy ratios of such regulatory authorities;

- the regulation of finance companies (such as CNMC Financial Company) by the CBRC is more stringent than the regulation of commercial banks in the PRC in certain aspects, for example, finance companies are required to have a higher capital adequacy ratio;

- the CBRC will review the operations and management of finance companies in the PRC pursuant to the Guideline of Risk Assessment and Classified Regulation on Financial Companies of Enterprise Groups (企業集團財務公司風險評價和分類監管指引) which covers areas including a finance company's internal management, operating conditions and the related group's influence over and support to the finance company; and

- the CNMC Financial Services Framework Agreement provides the Group with numerous rights and sets out numerous internal control and risk management measures that safeguard the interests of the Company and the Shareholders. For example, the average daily deposits placed by the Group with the CNMC Group must not exceed the average daily outstanding loans. The Group may also set-off any defaulted deposits against any outstanding loans extended by the CNMC Group to the Group and has various rights of compensation. In addition, CNMC Financial Company shall (and CNMC shall ensure that CNMC Financial Company shall):

  (i) implement stringent internal control and effective risk management measures (the efficiency and effectiveness of which will be regularly reviewed by the CBRC);

  (ii) comply with applicable laws and regulations, and in particular strictly comply with any requirements relating to the management of financial companies under all PRC laws and regulations (including any PRC laws and regulations), as amended from time to time;

  (iii) provide the Group with access to the books and accounts of CNMC Financial Company for inspection as soon as practicable upon the Group's request; and

  (iv) when providing financial services to members of the Group, exercise its own judgment and prudent approval process to determine whether to provide such financial services to such members of the Group.

Further, the provision of financial services under the CNMC Financial Services Framework Agreement is expected to render more expedient and efficient financial services to the Group, especially due to the multiple financing channels offered by the CNMC Group. In addition, it is expected that any applicable interest rates for the financial services will be equal to or more favourable to the Group than the benchmark interest rates quoted by the PBOC from time to time, while any other applicable fees and terms will also be equal to or more favourable to the Group than that offered by other independent commercial banks in the PRC, which would reduce the overall financial costs of the Group.

2. Parent Group Sales Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Group will supply certain products to the Parent Group, including gold, silver, copper cathodes, copper concentrate, natural gas, residual heat power generation, water, electricity, raw materials, auxiliary equipment, supporting materials, spare part materials, production equipment, tools, sulfuric acid, dump truck, waste materials, scrap steel, scrap stainless steel, scrap copper cathodes mold, spare part materials, platinum, spongy palladium, crude selenium, tellurium ingot and such other products as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the Market Price or a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As at the Latest Practicable Date, prices for the supply of the relevant products will be determined by the parties on the following basis:

Gold:	With reference to the market price of gold as quoted on (i) the Shanghai Gold Exchange; or, for gold for export, (ii) the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters) (as applicable).

Silver:	With reference to the market price of silver as quoted on (i) the Shanghai Gold Exchange; (ii) the Shanghai Huatong Silver Exchange; or, for silver for export, (iii) the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters) (as applicable).
Copper cathodes:	With reference to the market price of copper as quoted on (i) the Shanghai Futures Exchange (adjusted with reference to the premium or discount quoted on metal spot websites) or, for copper cathodes for export, (ii) the London Metal Exchange (adjusted with reference to the premium or discount quoted by Reuters).
Copper concentrate:	With reference to (as applicable): (i) the market price of gold as quoted on the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters); (ii) the market price of silver as quoted on the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters); or (iii) the market price of copper as quoted on the London Metal Exchange (adjusted with reference to the premium or discount quoted by Reuters as applicable), and the smelting and processing costs of the copper concentrate.
Natural gas:	With reference to the price of natural gas prescribed by the competent government price authority, currently with reference to the price of natural gas prescribed by Huangshi Price Bureau* (黃石市物價局). The selling price shall be adjusted accordingly in case of adjustment in the government guidance price.
Residual heat power generation:	With reference to the price guidance documents issued by the competent government authority, currently with reference to the price of electricity prescribed by Hubei Province Price Bureau (湖北省物價局). The selling price will be updated in case of adjustment in the government guidance price.
Water:	With reference to the price guidance documents issued by the competent government authority, currently with reference to the price of water prescribed by Huangshi Price Bureau* (黃石市物價局). The selling price will be updated in case of adjustment in the government guidance price.

Electricity:	With reference to the price guidance documents issued by the competent government authority, currently with reference to the price of electricity prescribed by Hubei Province Price Bureau (湖北省物價局). The selling price will be updated in case of adjustment in the government guidance price.
Raw materials, auxiliary equipment, supporting materials, spare part materials, production equipment and tools:	With reference to the tender prices and the overall market condition. The Group will conduct competitive tender, prepare tender document and publish the tender document on the Group's purchase tender e-commerce platform (http://ecp.cnmc.com.cn). The Group will invite at least three qualified buyers (including the Parent Group and two independent third party buyers) to participate in the relevant tenders. Selection of the final buyer(s) will be made based on price offered according to the tender document. Such offer price will be the final settlement price.
Sulfuric acid:	With reference to market price of sulfuric acid chemical products quoted on the industry-related website, which is currently Baiinfo website, and the overall market condition.
Dump truck:	With reference to the value of the vehicle in the vehicle valuation report, which is determined according to the relevant laws and measures issued by the government authorities and with reference to the service life, and newness of the equipment of the vehicle.
Waste materials:	With reference to the market price determined through price inquiries and the market price of copper futures contract as quoted on the Shanghai Futures Exchange.
Scrap steel, scrap stainless steel, scrap copper cathodes mold, spare part materials:	With reference to the tender prices and the overall market condition. The Group will conduct tenders by invitation, inviting at least three qualified buyers (including the Parent Group and two independent third party buyers) to participate in the relevant tenders. Selection of the final buyer(s) will be made primarily based on price offered, but consideration will also be given to the historical cooperation relationship with the buyers and the capability of timely settlement of the buyers.

When actual transactions are proposed to be conducted during the relevant financial year:

(i) in respect of the supply of scrap steel and scrap stainless steel by the Group, the settlement prices for scrap steel and scrap stainless steel will be the tender price, and adjusted (if required) with reference to the market price of scrap steel or scrap stainless steel quoted on the industry related websites, which is currently YD Steel (http://www.ydsteel.com) and CN Gold (https://jiage.cngold.org) respectively, on the day immediately prior to the actual date of transaction.

(ii) in respect of the supply of scrap copper cathodes mold by the Group, the price will be the tender price, and adjusted (if required) with reference to the relevant processing costs incurred by the Group and the market price of scrap steel, being the prices charged by independent third party suppliers supplying scrap steel in their ordinary course of business in the same or nearby area.

(iii) in respect of the supply of spare part materials, the price will be the tender price, and adjusted (if required) with reference to the relevant market price, being the prices charged by independent third party suppliers providing similar type of products in their ordinary course of business in the same or nearby area.

Platinum, spongy palladium, crude selenium and tellurium ingot:

With reference to the tender prices and the overall market condition.

The Group will conduct competitive tender, prepare tender document and publish the tender document on the Group's purchase tender e-commerce platform (http://ecp.cnmc.com.cn). The Group will invite at least three qualified buyers (including the Parent Group and two independent third party buyers) to participate in the relevant tenders. Selection of the final buyer(s) will be made based on price offered according to the tender document. Such offer price will be the final settlement price.

Historical figures, existing annual caps and Proposed Annual Caps

The table below sets out the historical figures, existing annual caps and Proposed Annual Caps for the Parent Group Sales Framework Agreement:

Year ended 31 December 2020		Year ended 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
Annual cap	Actual amount *(audited)*	Annual cap	Actual amount *(audited)*	Annual cap	Actual amount (up to 31 October 2022) *(unaudited)*	Proposed annual cap	Proposed annual cap	Proposed annual cap
(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
7,207,373	2,898,121	10,802,160	5,002,428	14,383,651	5,853,870	14,849,212	22,793,246	23,515,155

The above Proposed Annual Caps have been determined with reference to the: (i) existing purchase orders placed by the Parent Group; (ii) projected future orders based on the expected increase in the products to be sold to the Parent Group as a result of the expected growth in the business of the Parent Group; and (iii) the average historical market price and the anticipated future market price for the relevant products.

The low utilization rate of the annual caps in the three years ended 31 December 2022 was due to three reasons: the impact of the epidemic, delay in the commencement of operation of Yangxin Hongsheng and suspension of production due to rectification of mines and smelters. Due to the various epidemic prevention and control measures imposed by the government, there is a slowdown of the general operation of the Group and the Sareke Copper Mine also ceased operations. As a result, the production level of the principal products of the Company dropped. Furthermore, it was originally planned that the New Copper Cathode Production Plant of Yangxin Hongsheng would commence production of copper cathode in the first half of 2021. However, the date of commencement of production was delayed by over one year which affected the volume of services and/or products purchased or provided by the Company. As disclosed in the announcement dated 14 September 2021, there was a rectification of mines and smelters in September 2021 which led to halting of production of the Company due to environmental inspections. The halting of the production of Fengshan Copper Mine and low-load production in mines such as Sareke Copper Mine resulted in a decline in the output level of self-owned mines. The instant and long-term rectification measures of smelting plants taken by the Company resulted in a decline in production since September 2021 till now. The rectification plans are expected to be partly completed by 2023 and the production of mines and smelters will be able to resume gradually.

The historical transaction amounts from 2020 to 2022 were relatively low when compared with the respective annual caps due to the three events mentioned above. As the government began to relax the epidemic control measures, it is expected that the relevant transaction amount would increase as the Group would increase its production level. Therefore, the historical transaction amounts for 2020 to 2022 would not be an accurate reference for projection of the expected amount of products to be purchased by the Group in the next three years ending 31 December 2025.

Due to the increase in the Company's production capacity and procurement volume, the Company will increase the export of products to broaden sales channels and balance the Company's overall foreign exchange settlement. The increase in export volume results in an increase in the sales volume. In 2023, the Company's production facilities are scheduled for maintenance and repair works, so the projected production volume of copper cathode in the year ending 31 December 2023 will be lower. It is expected that the production volume will recover to the current production volume in 2024 and 2025. The Group's estimated sales volume of copper cathode to the Parent Group is 180,000 tonnes in 2023, 270,000 tonnes in 2024 and 280,000 tonnes in 2025. With the increase in sales volume, there would be an increase in the Proposed Annual Caps in the three years. Further, as the price of copper cathode has increased as compared with 2019 when the annual caps for the three years ending 31 December 2022 were determined, there is an increase in the Proposed Annual Caps in the three years ending 31 December 2025.

Reasons for the transaction

The Directors consider that the Parent Group Sales Framework Agreement will broaden the revenue base of the Group and allow it to leverage on the sales network of the Parent Group in the PRC and Hong Kong.

In respect of the supply of copper concentrate, while the Group has in the past, and will continue to, procure copper concentrate from the Parent Group in addition to its own production of such for its business operations (as detailed in the paragraph headed "4. Parent Group Purchase and Production Services Framework Agreement" of this section), the entering into of the Parent Group Sales Framework Agreement allows the Group to serve as a reliable back-up source of supply of copper concentrates to the Parent Group, catering for any unforeseen surge of demands or other contingencies on the part of the Parent Group. The Group had purchased certain copper concentrates from the Parent Group during the three years from 2020 to 2022 in order to meet its production demand, under the relevant existing framework agreements.

Given the long-term business relationship of the Parent Group and the Group and the close geographical proximity of their respective operations, the administrative costs and time costs involved for such sales could be minimized. In addition, as the New Copper Cathode Production Plant has been put into heat on-load trial run since October 2022 and is expected to reach production capacity and standard in 2024, it is expected that the Group will be supplying copper concentrates to Yangxin Hongsheng (which is a connected person of the Company) for its production of copper cathodes (as detailed in the paragraph headed "3. Yangxin Hongsheng Sales Framework Agreement" of this section). It is expected that the quantity of copper concentrate to be supplied by the Group under the Parent Group Sales Framework Agreement will only form a small portion of the production of copper concentrate by the Group.

Listing Rules implications

As the highest applicable percentage ratio in respect of the Proposed Annual Caps exceeds 5%, the Parent Group Sales Framework Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Yangxin Hongsheng Sales Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company (2) Yangxin Hongsheng
Nature of transactions:	The Group will supply certain products to Yangxin Hongsheng, including gold, silver, copper cathodes, copper concentrate, natural gas, residual heat power generation, water, electricity, raw materials, auxiliary equipment, supporting materials, spare part materials, production equipment, tools, sulfuric acid, dump truck, waste materials and such other products as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the Market Price or a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As at the Latest Practicable Date, prices for the supply of the relevant products will be determined by the parties on the following basis:

Gold:	With reference to the market price of gold as quoted on the Shanghai Gold Exchange.
Silver:	With reference to the market price of silver as quoted on (i) the Shanghai Gold Exchange; (ii) the Shanghai Huatong Silver Exchange; or, for silver for export, (iii) the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters) (as applicable).
Copper cathodes:	With reference to the market price of copper as quoted on (i) the Shanghai Futures Exchange; or, for copper cathodes for export, (ii) the London Metal Exchange, adjusted with reference to the premium or discount quoted by Reuters (as applicable).
Copper concentrate:	With reference to (as applicable): (i) the market price of gold as quoted on the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters); (ii) the market price of silver as quoted on the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters); or (iii) the market price of copper as quoted on the London Metal Exchange (adjusted with reference to the premium or discount quoted by Reuters), and taking into account the smelting and processing costs of the copper concentrate.
Natural gas:	With reference to the selling price of natural gas issued by the competent government price authority, currently with reference to the price of natural gas prescribed by Huangshi Price Bureau* (黃石市物價局). The selling price shall be adjusted accordingly in case of adjustment in the government guidance price.
Residual heat power generation:	With reference to the price guidance documents issued by the competent government authority, currently with reference to the price of electricity prescribed by Hubei Province Price Bureau (湖北省物價局). The selling price shall be adjusted accordingly in case of adjustment in the government guidance price.

Water:	With reference to the price guidance documents issued by the competent government authority, currently with reference to the price of water prescribed by Huangshi Price Bureau* (黃石市物價局). The selling price shall be adjusted accordingly in case of adjustment in the government guidance price.
Electricity:	With reference to the price guidance documents issued by the competent government authority, the price of electricity prescribed by Hubei Province Price Bureau (湖北省物價局). The selling price shall be adjusted accordingly in case of adjustment in the government guidance price.
Raw materials, auxiliary equipment, supporting materials, spare part materials, production equipment, tools:	With reference to the tender prices and the overall market condition. The Group will conduct competitive tender, prepare tender document and publish the tender document on the Group's purchase tender e-commerce platform (http://ecp.cnmc.com.cn). The Group will invite at least three qualified buyers (including the Parent Group and two independent third party buyers) to participate in the relevant tenders. Selection of the final buyer(s) will be made based on price offered according to the tender document. Such offer price will be the final settlement price.
Sulfuric acid:	With reference to market price of sulfuric acid chemical products quoted on the industry-related website, which is currently Baiinfo website, and the overall market condition.
Dump truck:	With reference to the value of the vehicle in the vehicle valuation report, which is determined according to the relevant laws and measures issued by the government authorities, and with reference to the service life, and the newness of the equipment of the vehicle.
Waste materials:	With reference to the market price determined through price inquiries and the market price of copper quoted on the Shanghai Futures Exchange.

Proposed Annual Caps

The table below sets out the Proposed Annual Caps for the Yangxin Hongsheng Sales Framework Agreement:

Year ending 31 December 2023 Proposed annual cap *(RMB'000)*	Year ending 31 December 2024 Proposed annual cap *(RMB'000)*	Year ending 31 December 2025 Proposed annual cap *(RMB'000)*
2,336,214	2,704,630	3,110,003

The above Proposed Annual Caps have been determined with reference to the: (i) existing purchase orders placed by other purchasers with the Group for the relevant products; (ii) projected future orders based on the expected amount of products to be sold to Yangxin Hongsheng for the three years ending 31 December 2025; (iii) average historical market price and the anticipated future market price for the relevant products; (iv) the historical sales between the Company and Yangxin Hongsheng.

Yangxin Hongsheng has commenced production since October 2022 when the New Copper Cathode Production Plant was put into heat on-load trial run. Historical sales between the Company and Yangxin Hongsheng for the ten months ended 31 October 2022 were approximately RMB340 million under the existing Parent Group Sales Framework Agreement. It is estimated that the total sales between the Company and Yangxin Hongsheng for the year ending 31 December 2022 will reach approximately RMB740 million.

As the New Copper Cathode Production Plant is expected to reach its production capacity and standard in 2024, it is expected that there would be an increasing volume of future orders from Yangxin Hongsheng due to the gradual increase in the production capacity of the New Copper Cathode Production Plant, leading to the increase in the Proposed Annual Caps for the three years ending 31 December 2025.

Reasons for the transaction

The Directors consider that the Yangxin Hongsheng Sales Framework Agreement will be important to the business operations of Yangxin Hongsheng, including the operation of the New Copper Cathode Production Plant. The New Copper Cathode Production Plant has been put into heat on-load trial run since October 2022, and is expected to reach its production capacity and standard in 2024. The commencement of operation of the New Copper Cathode Production Plant will increase the production capacity of copper cathode of the Group. Further, the Yangxin Hongsheng Sales Framework Agreement allows the Group to serve as a reliable back-up source of supply of copper concentrate to Yangxin Hongsheng, maximize the utilization of the inventory of the Group to facilitate production and minimize the administrative costs and time costs involved for such sales considering its intra-group relationship with the Company.

Listing Rules implications

As the highest applicable percentage ratio in respect of the Proposed Annual Caps exceeds 5%, the Yangxin Hongsheng Sales Framework Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Parent Group Purchase and Production Services Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company
	(2) the Parent Company
Nature of transactions:	The Parent Group will:
	(1) supply certain products to the Group, including scrap copper, blister copper, silver, anode plates, industrial cutting gas, liquefied gas, natural gas, copper concentrate, diesel fuel, equipment, wollastonite, gold concentrate, gold and such other products as agreed by the parties from time to time; and
	(2) provide certain production services to the Group, including repair service, maintenance work, construction engineering, engineering labour, safe production costs, design and construction, technology research and development, processing of anode plates/anode scrap, processing of anode copper scrap, gas delivery management and maintenance, transportation, train loading and unloading, copper warehouse crane maintenance and repair, logistics maintenance services and such other production services as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.

Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on: (i) the government prescribed price; (ii) if there is no applicable government prescribed price, the Market Price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As at the Latest Practicable Date, prices for the supply of the relevant products and services will be determined by the parties on the following basis:

Scrap copper:	With reference to the market procurement price of scrap copper in regions such as Miluo, Hunan, Taizhou, Zhejiang and Nanhai, Guangdong as quoted on relevant copper industry web portals such as Lingtong Info website (http://www.lingtong.info/index.asp).
Blister copper:	With reference to (as applicable): (i) the market price of copper as quoted on the Shanghai Futures Exchange or the London Metal Exchange; (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange or by the London Bullion Market Association; or (iii) the market price of gold as quoted on the Shanghai Gold Exchange or by the London Bullion Market Association, and taking into account the relevant smelting and processing costs.
Silver:	With reference to the market price of silver as quoted on (i) the Shanghai Gold Exchange; (ii) the London Gold Exchange; or the fixing price and the settlement price of specific silver on the silver spot market (as applicable).

Anode plates:	With reference to (as applicable): (i) the market price of copper as quoted on the Shanghai Futures Exchange or the London Metal Exchange; (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange or by the London Bullion Market Association; or (iii) the market price of gold as quoted on the Shanghai Gold Exchange or by the London Bullion Market Association, and taking into account relevant smelting and processing costs.
Industrial cutting gas, liquefied gas:	With reference to the Market Price.
Natural gas:	With reference to the selling price of natural gas issued by the competent government price authority, currently with reference to the price of natural gas prescribed by Huangshi Price Bureau* (黃石市物價局).
Copper concentrate:	With reference to (as applicable): (i) the market price of gold as quoted on the Shanghai Gold Exchange or by the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters and taking into account relevant smelting and processing costs); (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange or by the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters and taking into account relevant smelting and processing costs); or (iii) the market price of copper as quoted on the Shanghai Futures Exchange or the London Metal Exchange (adjusted with reference to the premium or discount quoted by Reuters and taking into account relevant smelting and processing costs).
Diesel fuel:	With reference to the retail listing price of diesel fuel quoted by Sinopec gas station at Huangshi, Hubei.

Equipment:	With reference to the tender prices and the overall market condition. The Group will conduct tenders by invitation, inviting at least three qualified suppliers (including the Parent Group and two independent third party suppliers) to participate in the relevant tenders. Selection will be made primarily based on price offered, but consideration will also be given to the quality of products, effectiveness of communication and historical cooperation relationship with the suppliers. When actual transactions are proposed to be conducted, the price for the products will be the tender price, and adjusted (if required) with reference to the relevant market price, being the prices charged by independent third party suppliers providing similar type of products in their ordinary course of business in the same or nearby area.
Wollastonite:	With reference to annual tender prices and the overall market condition.
Gold concentrate:	With reference to the market price of gold as quoted on the Shanghai Gold Exchange.
Gold:	With reference to the market price of gold as quoted on the London Bullion Market Association or the fixing price and the settlement price of a specific gold on the gold spot market.
Repair service:	Based on the repair workload of each business unit, a lump-sum will be charged for repair services. The total repair service fee is determined with reference to the number of labour required to complete the repair service and relevant expenses including wages.
Maintenance work:	With reference to tender in accordance with the laws and regulations promulgated by the state, provincial and municipal construction administrative departments and in accordance with the relevant laws.
Construction engineering, safe production costs, design and construction:	With reference to the relevant prices prescribed by the administrative department of construction in Hubei Province.

Engineering labour services:	With reference to the relevant prices prescribed by Department of Development of Hubei Province* (湖北省建設廳) and with reference to the prevailing market price, being the price charged by independent third party suppliers providing similar type of services in their ordinary course of business in the same or nearby service area.
Technology research and development:	With reference to the cost of material consumption, equipment depreciation, testing laboratory fees, labour costs and management fees.
Processing of anode plates/anode scrap, anode copper scrap:	With reference to the market price for manufacturing consignment of anode plate/anode scrap.
Gas delivery management and maintenance:	With reference to the operating cost of provision of the service.
Transportation:	Tender-based pricing, price inquiry and price comparison. The Group will (i) carry out a centralized tender annually; and (ii) for transportation services beyond the scope of the abovementioned annual tender, carry out price inquiry and comparison. For the annual tender and the price inquiry and comparison to be conducted by the Group from time to time, the Group will invite and/or seek to solicit at least three service providers (including the Parent Group and two independent third party service providers) to participate in the tenders and/or provide price quotations if there are other appropriate service providers in the same or nearby service area available. Selection will be made primarily based on price offered, but consideration will also be given to the service levels, effectiveness of communication and historical cooperation relationship with the service providers.
Train loading and unloading:	Negotiated pricing based on market prices or by price inquiry and price comparison (including tender), depending on the actual situation.

The Group will seek to solicit quotations from at least three service providers (including the Parent Group and two independent service providers) for loading and unloading services (assuming other suitable service providers can be identified in the same or adjacent service areas). Selection will be made primarily on the basis of the price offered, but will also take into account the level of service, effectiveness of communication and historical cooperation relationship with suppliers.

Copper warehouse crane maintenance and repair, logistics maintenance services: Negotiated pricing based on market prices.

Historical figures, existing annual caps and Proposed Annual Caps

The table below sets out the historical figures, existing annual caps and Proposed Annual Caps for the Parent Group Purchase and Production Services Framework Agreement:

Year ended 31 December 2020		Year ended 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
Annual cap	Actual amount *(audited)*	Annual cap	Actual amount *(audited)*	Annual cap	Actual amount (up to 31 October 2022) *(unaudited)*	Proposed annual cap	Proposed annual cap	Proposed annual cap
(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
2,176,535	393,998	2,567,932	164,012	3,121,564	688,790	3,009,009	3,520,887	4,116,336

The above Proposed Annual Caps have been determined with reference to the: (i) historical purchase orders placed by the Group; (ii) projected future orders based on the expected increase in the products and services required as a result of the expected growth in the business of the Group, including, among others, the commencement of operation of the New Copper Cathode Production Plant which would increase the demand for raw materials and the requisite production services; and (iii) average historical market price and the anticipated future market price for the relevant products and services.

The low utilization rate of the annual caps in the three years ended 31 December 2022 was due to three reasons: the impact of the epidemic, delay in the commencement of operation of Yangxin Hongsheng and suspension of production due to rectification of mines and smelters. Due to the various epidemic prevention and control measures imposed by the government, there is a slowdown of the general operation of the Group and the Sareke Copper Mine also ceased operations. As a result, the production level of the principal products of the Company dropped. Furthermore, it was originally planned that the New Copper Cathode Production Plant of Yangxin Hongsheng would commence production of copper cathode in the first half of 2021. However, the date of commencement of production was delayed by over one year which affected the volume of services and/or products purchased or provided by the Company. As disclosed in the announcement dated 14 September 2021, there was a rectification of mines and smelters in September 2021 which led to halting of production of the Company due to environmental inspections. The halting of the production of Fengshan Copper Mine and low-load production in mines such as Sareke Copper Mine resulted in a decline in the output level of self-owned mines. The instant and long-term rectification measures of smelting plants taken by the Company resulted in a decline in production since September 2021 till now. The rectification plans are expected to be partly completed by 2023 and the production of mines and smelters will be able to resume gradually.

The historical transaction amounts from 2020 to 2022 were relatively low when compared with the respective annual caps due to the three events mentioned above. As the government began to relax the epidemic control measures, it is expected that the relevant transaction amount would increase as the Group would increase its production level. Therefore, the historical transaction amounts for 2020 to 2022 would not be an accurate reference for projection of the expected amount of products or services to be purchased by the Group in the next three years ending 31 December 2025.

The Company estimates that the total amount of products and services supplied by the Parent Group to the Company will increase gradually each year from 2023 to 2025. This is mainly due to the gradual increase in production capacity of the New Copper Cathode Production Plant since its commencement of operation in October 2022.

Reasons for the transaction

The products and production services to be provided under the Parent Group Purchase and Production Services Framework Agreement will be important to the operations of the Group. Given the long-term business relationship of the Parent Group and the Group and the close geographical proximity of their respective operations, the Directors consider that the entering into of the Parent Group Purchase and Production Services Framework Agreement will allow the Group to secure a cost effective, timely and stable source of supply of those products and production services, and also to benefit from the procurement network of the Parent Company.

Listing Rules implications

As the highest applicable percentage ratio in respect of the Proposed Annual Caps exceeds 5%, the Parent Group Purchase and Production Services Framework Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. CNMC Group Purchase and Production Services Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company (2) CNMC
Nature of transactions:	The CNMC Group (excluding the Parent Group and the Group) will: (1) supply certain products to the Group, including blister copper, copper concentrate, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools and such other products as agreed by the parties from time to time; and (2) provide certain production services to the Group, including maintenance, supervision, construction, mine exploration and such other production services as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on: (i) the government prescribed price; (ii) if there is no applicable government prescribed price, the Market Price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As at the Latest Practicable Date, prices for the supply of the relevant products and services will be determined by the parties on the following basis:

Blister copper:	With reference to (as applicable): (i) the market price of copper as quoted on the Shanghai Futures Exchange or the London Metal Exchange; (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange or by the London Bullion Market Association; or (iii) the market price of gold as quoted on the Shanghai Gold Exchange or by the London Bullion Market Association, and taking into account relevant smelting, processing and production costs.
Copper concentrate:	With reference to (as applicable): (i) the market price of copper as quoted on the Shanghai Futures Exchange, or the London Metal Exchange (adjusted with reference to the premium or discount quoted by Reuters as applicable); (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange, the Chicago Mercantile Exchange (adjusted with reference to the premium or discount quoted by Reuters) or the London Bullion Market Association; and (iii) the market price of gold as quoted on the Shanghai Gold Exchange, the Chicago Mercantile Exchange (adjusted with reference to the premium or discount quoted by Reuters) or the London Bullion Market Association, taking into account relevant smelting and processing costs.
Raw materials, auxiliary equipment, supporting materials, components, production equipment and tools:	With reference to the tender prices and the overall market condition. The Group will conduct tenders by invitation, inviting at least three qualified suppliers (including the CNMC Group (excluding the Parent Group and the Group) and two independent third party suppliers) to participate in the relevant tenders. Selection will be made primarily based on price offered, but consideration will also be given to the quality of products, effectiveness of communication and historical cooperation relationship with the suppliers. When actual transactions are proposed to be conducted, the price of the products will be the tender price, and adjusted (if required) with reference to the relevant market price, being the prices charged by independent third party suppliers providing similar type of products in their ordinary course of business in the same or nearby area.

Maintenance work:	With reference to the relevant prices prescribed by the Department of Housing and Urban-Rural Development of Hubei Province (湖北省住房和城鄉建設廳) and the actual tender prices.
Supervision:	With reference to (i) the results of public tender in accordance with market principles and the laws and regulations promulgated by the state, provincial and municipal construction administrative departments; (ii) the relevant prices prescribed by the Department of Housing and Urban-Rural Development of the National Development and Reform Commission (國家發展和改革委員會住房城鄉建設部) and Hubei Construction Supervision Association (湖北省建設監理協會); and (iii) other applicable PRC laws and regulations.
Construction:	With reference to the relevant prices prescribed by the administrative department of construction in Hubei Province.
Mine exploration:	With reference to the relevant budget standards prescribed by the China Geological Survey (中國地質調查局).

Historical figures, existing annual caps and Proposed Annual Caps

The table below sets out the historical figures, existing annual caps and Proposed Annual Caps for the CNMC Group Purchase and Production Services Framework Agreement:

Year ended 31 December 2020		Year ended 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
Annual cap	Actual amount *(audited)*	Annual cap	Actual amount *(audited)*	Annual cap	Actual amount (up to 31 October 2022) *(unaudited)*	Proposed annual cap	Proposed annual cap	Proposed annual cap
(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
4,629,255	919,065	3,780,591	2,405,745	4,140,206	2,919,280	6,355,823	6,663,945	7,462,154

The above Proposed Annual Caps have been determined with reference to the: (i) historical purchase orders placed by the Group; (ii) projected future orders based on the expected increase in the products and services required as a result of the expected growth in the business of the Group; and (iii) the average historical market price and the anticipated future market price for the relevant products and services.

The low utilization rate of the annual caps in the three years ended 31 December 2022 was due to three reasons: the impact of the epidemic, delay in the commencement of operation of Yangxin Hongsheng and suspension of production due to rectification of mines and smelters. Due to the various epidemic prevention and control measures imposed by the government, there is a slowdown of the general operation of the Group and the Sareke Copper Mine also ceased operations. As a result, the production level of the principal products of the Company dropped. Furthermore, it was originally planned that the New Copper Cathode Production Plant of Yangxin Hongsheng would commence production of copper cathode in the first half of 2021. However, the date of commencement of production was delayed by over one year which affected the volume of services and/or products purchased or provided by the Company. As disclosed in the announcement dated 14 September 2021, there was a rectification of mines and smelters in September 2021 which led to halting of production of the Company due to environmental inspections. The halting of the production of Fengshan Copper Mine and low-load production in mines such as Sareke Copper Mine resulted in a decline in the output level of self-owned mines. The instant and long-term rectification measures of smelting plants taken by the Company resulted in a decline in production since September 2021 till now. The rectification plans are expected to be partly completed by 2023 and the production of mines and smelters will be able to resume gradually.

The historical transaction amounts from 2020 to 2022 were relatively low when compared with the respective annual caps due to the three events mentioned above. As the government began to relax the epidemic control measures, it is expected that the relevant transaction amount would increase as the Group would increase its production level. Therefore, the historical transaction amounts for 2020 to 2022 would not be an accurate reference for projection of the expected amount of products or services to be purchased by the Group in the next three years ending 31 December 2025.

The Company estimates that the total amount of products and services supplied by the CNMC Group to the Company will increase gradually each year from 2023 to 2025. This is mainly due to the gradual increase in production capacity of the New Copper Cathode Production Plant since its commencement of operation in October 2022.

The increase in the Proposed Annual Caps for the CNMC Group Purchase and Production Services Framework Agreement as compared with the existing annual caps is primarily due to the expected increase in demand for raw materials such as blister copper and copper concentrate from the Group as a result of the New Copper Cathode Production Plant, which has been put into heat on-load trial run since October 2022 and is expected to reach production capacity and standard in 2024.

Reasons for the transaction

The Directors consider that the entering into of the CNMC Group Purchase and Production Services Framework Agreement will (i) allow the Group to leverage on the vast resources of the CNMC Group (excluding the Parent Group and the Group) to obtain many of the products and production services which the Group requires for its increasing production capacity and operations; (ii) assist the Group in ensuring a cost-effective, timely and stable source of supply of products, materials and production services required for its operations; and (iii) allow the Company to further diversify its business risks through purchases of blister copper imported from a mine in Zambia, Africa, which offers an alternative, abundant and stable supply, as opposed to the supply in the PRC which is generally insufficient to adequately and promptly satisfy market demand.

Listing Rules implications

As the highest applicable percentage ratio in respect of the Proposed Annual Caps exceeds 5%, the CNMC Group Purchase and Production Services Framework Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. Yangxin Hongsheng Purchase Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company (2) Yangxin Hongsheng
Nature of transactions:	Yangxin Hongsheng will supply certain products to the Group, including copper concentrate, anode scrap, anode mud and such other products as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on (i) the Market Price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or (ii) a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As at the Latest Practicable Date, prices for the supply of copper concentrate will be determined by the parties on the following basis:

Copper concentrate:	With reference to (as applicable): (i) the market price of copper as quoted on the London Metal Exchange; (ii) the market price of silver as quoted on the London Bullion Market Association; or (iii) the market price of gold as quoted on the London Bullion Market Association, adjusted with reference to the premium or discount quoted by Reuters, taking into account relevant smelting and processing costs.
Anode scrap:	With reference to the daily weighted average price or instant trading price of copper as quoted on the Shanghai Futures Exchange for the current month or the following month, taking into account relevant processing costs of blister copper of the purchaser as agreed under contract for the same period.
Anode mud:	With reference to (as applicable): (i) the market price of copper as quoted on the Shanghai Futures Exchange; (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange; or (iii) the market price of gold as quoted on the Shanghai Gold Exchange, and taking into account the corresponding grades of copper, silver or gold respectively.

Proposed Annual Caps

The table below sets out the Proposed Annual Caps for the Yangxin Hongsheng Purchase Framework Agreement:

Year ending 31 December 2023 Proposed annual cap *(RMB'000)*	**Year ending 31 December 2024 Proposed annual cap** *(RMB'000)*	**Year ending 31 December 2025 Proposed annual cap** *(RMB'000)*
6,361,261	5,648,630	6,054,003

The above Proposed Annual Caps have been determined with reference to the: (i) historical purchase orders placed by the Group with other suppliers for the relevant products; (ii) projected future orders based on the expected increase in the products required as a result of the expected growth in the business of the Group; and (iii) average historical market price and the anticipated future market price for the relevant products.

Yangxin Hongsheng has commenced production since October 2022. The Company entered into a purchase contract with Yangxin Hongsheng in October 2022 with a contract amount of approximately RMB350 million under the existing Parent Group Purchase and Production Services Framework Agreement. The Company estimates that the total purchase volume for the year ended 31 December 2022 will reach approximately RMB970 million.

The products purchased by the Company from Yangxin Hongsheng are mainly (i) anode mud and (ii) anode scrap, which are both intermediate products. As to anode mud, Yangxin Hongsheng does not have the ability to process anode mud and thus will sell the anode mud produced to the Group for processing. The total amount of anode mud purchased by the Group is estimated to be approximately RMB2.9 billion. For anode scrap, Yangxin Hongsheng's own smelting furnace for the anode scrap is expected to be put into operation around June 2023 and the product will be sold to the Group for processing while the anode scrap treatment of Yangxin Hongsheng is under construction. Taking into account the estimated quantity and price of anode scrap, and the production capacity of Yangxin Hongsheng, it is expected that the total amount of anode scrap to be purchased by the Group in the year ending 31 December 2023 will be approximately RMB1.2 billion. The Company estimates that the total purchase amount by the Company from Yangxin Hongsheng will gradually increase from 2023 to 2025, mainly due to the gradual increase in production capacity after the start of production of the New Copper Cathode Production Plant. It is expected that by 2024, Yangxin Hongsheng will be able to process the anode scrap by itself and will no longer sell anode scrap to the Company. Therefore, there will be a drop in the Proposed Annual Cap in 2024.

Reasons for the transaction

The Directors consider that the Yangxin Hongsheng Purchase Framework Agreement will (i) allow the Group to negotiate more favourable terms with Yangxin Hongsheng with better and more efficient communication as an intra-group supplier, as compared with other suppliers, to obtain the copper concentrate, anode scrap and anode mud which the Group requires for its production and operations; and (ii) assist the Group in ensuring a cost-effective, timely and stable source of supply of copper concentrate, anode scrap and anode mud required for its operations considering the intra-group relationship and the close geographical proximity of their respective operations.

Yangxin Hongsheng adopts a "double flash" process in production (a combination of flash smelting and flash converting), which requires imported copper concentrates with higher purity. Due to the differences in the requirements of the level of purity of copper concentrates required as raw materials for the production of the Company and New Copper Cathode Production Plant of Yangxin Hongsheng, imported copper concentrates with lower purity which are not suitable for Yangxin Hongsheng's production may be accepted by the Company to be used in its production. On the other hand, as mentioned under the paragraph headed "3. Yangxin Hongsheng Sales Framework Agreement", the Company can also serve as a back-up source of supply of copper concentrates to Yangxin Hongsheng. The Company may resell copper concentrates with higher purity that satisfy Yangxin Hongsheng's requirements to Yangxin Hongsheng. In addition, as the delivery cycle of imported copper concentrates is generally long, depending on the production situation and the inventory level of the Company and Yangxin Hongsheng, the party with higher level of inventory may sell the copper concentrates to the other party to facilitate production, maximizing the efficiency of production and utilization of inventory of both the Company and Yangxin Hongsheng.

Listing Rules implications

As the highest applicable percentage ratio in respect of the Proposed Annual Caps exceeds 5%, the Yangxin Hongsheng Purchase Framework Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

7. Parent Group Combined Ancillary Services Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Parent Group will provide certain services to the Group, including advertising, steel cylinder repair, gas delivery management, waste disposal, green conservation, vehicle rental, property management, bathhouse, food and beverage and accommodation, logistics service, mineral water, seedling, telecommunication and repair, water, electricity, telephone charges, property repair, training and staff training, materials and such other services as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the Market Price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure, or a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As at the Latest Practicable Date, prices for the provision of the relevant services will be determined by the parties on the following basis:

Advertising:	With reference to the relevant prices of municipal-level media.
Steel cylinder repair, gas delivery management, waste disposal, green conservation, vehicle rental, property management, bathhouse, food and beverage and accommodation and logistics service:	With reference to the operating cost of provision of the service(s). In this regard, the prices for the provision of the relevant services will be determined with reference to the existing operating cost of the relevant services incurred by the suppliers currently engaged by the Group (including but not limited to the Parent Group) and the fees charged by other independent third party suppliers for the provision of similar service(s) in the same or nearby service area.
Mineral water and seedling:	For mineral water, with reference to the procurement cost, transportation and handling cost and the overall market condition. For seedling, with reference to the landscaping project consumption rate estimate norm and unified basic pricing schedule issued by the government, and the landscaping expenses to be spent by related parties, and currently with reference to the norm and pricing schedule issued by Hubei provincial government. The price shall be adjusted accordingly in case of adjustment in the government guidance price.
Telecommunication and repair:	With reference to the relevant prices prescribed by Hubei Communications Administration (湖北省通信管理局).
Water:	With reference to the price guidance documents issued by the competent government authority, and currently with reference to the price of water prescribed by Huangshi Price Bureau* (黃石市物價局). The price of water supply shall be adjusted accordingly in case of adjustment in the government pricing.

Electricity:	With reference to the price guidance documents issued by the competent government authority, and currently with reference to the price of electricity prescribed by Hubei Province Price Bureau (湖北省物價局) and internal documents. The selling price of electricity shall be adjusted accordingly in case of adjustment in the government pricing.
Telephone charges:	With reference to the relevant prices prescribed by Hubei Communications Administration (湖北省通信管理局).
Property repair:	With reference to the building and installation project rate estimate norm, currently with reference to the relevant prices prescribed by Department of Development of Hubei Province* (湖北省建設廳). The price shall be adjusted accordingly in case of adjustment in the government guidance price.
Training and staff training:	With reference to the relevant standards prescribed under the internal document of the Parent Company regarding employee training fees management, which are determined based on the remuneration of the instructors and examination supervisors, costs on preparation of training materials and examination questions, and other relevant costs incurred in providing the training. The abovementioned internal document of the Parent Company stipulates, amongst other things, the standard hourly rates of the trainers (which range from approximately RMB30 per hour to RMB500 per hour according to their relevant experience) and their remuneration on preparation of training materials and examination questions (which ranges from RMB10 to RMB60 per a thousand words and RMB100 per subject).
Materials:	For self-produced materials, with reference to the product costs, transportation cost, loading/unloading cost and the overall market condition. For outsourcing materials, with reference to the purchase price, transportation cost, loading/unloading cost and the overall market condition.

Historical figures, existing annual caps and Proposed Annual Caps

The table below sets out the historical figures, existing annual caps and Proposed Annual Caps for the Parent Group Combined Ancillary Services Framework Agreement:

Year ended 31 December 2020		Year ended 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
Annual cap	Actual amount *(audited)*	Annual cap	Actual amount *(audited)*	Annual cap	Actual amount (up to 31 October 2022) *(unaudited)*	Proposed annual cap	Proposed annual cap	Proposed annual cap
(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
379,020	331,713	385,323	306,130	391,613	310,070	357,799	430,072	400,607

The above Proposed Annual Caps have been determined with reference to: (i) the historical amounts paid by the Group to the Parent Group for similar ancillary services; (ii) the projected future orders based on the expected increase in the services to be provided during the three years ending 31 December 2025; and (iii) the average historical market price for the relevant services and the anticipated future market price for the relevant products and services.

The Proposed Annual Caps fluctuate over the three years ending 31 December 2025 due to the different volume of orders that is projected to be placed by the Group depending on the anticipated demand and market price from time to time.

Reasons for the transaction

The Group currently does not have the capability of providing the ancillary services set out in the Parent Group Combined Ancillary Services Framework Agreement. The Parent Group Combined Ancillary Services Framework Agreement will allow the Group to obtain the use of a wide range of support services that it or its employees will require on a day-to-day basis. The provision of such services to the Group will allow the Group to concentrate its resources on its core production operations.

Listing Rules implications

As the highest applicable percentage ratio in respect of the Proposed Annual Caps exceeds 5%, the Parent Group Combined Ancillary Services Framework Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PAYMENT TERMS

The time and method of payment for the transactions under the Non-Exempt Connected Transaction Agreements will be determined based on market practice and would differ greatly on a case-by-case basis, and which will be specified under the definitive agreements to be entered into by the parties. In general, the time and method of payment will be determined with reference to various factors, including the transaction and payment history, market position and creditworthiness of the parties and the market practice regarding the relevant products and/or services. Such payment terms will be negotiated on an arm's length basis between the parties and based on terms no less favourable to the Group than those available to/from independent third parties.

INTERNAL CONTROL

The Company has established the connected transactions management committee, which is the discussion and decision-making body for the connected transactions management, and is led by the Board which directly and comprehensively manages the relevant matters of the connected transactions.

The Company has implemented stringent measures to monitor the pricing standards for the continuing connected transactions of the Group. The department heads of the relevant business departments are responsible for the initial price determination of the proposed connected transactions of the Group. Such initial price determination will be reported to and approved by the finance department of the Company. Then, these prices will be reported to the legal department of the Company, which is responsible for collating from the various business departments such information regarding the proposed connected transactions of the Group, and ensuring that the terms of any such proposed connected transactions are in compliance with applicable laws, rules and regulations. After all these review processes, the legal representative or authorised representative of the Company will execute such connected transactions on behalf of the Company. The capital operation department, finance department and legal department of the Company are responsible for monitoring each of the connected transactions of the Group to ensure that they are conducted in accordance with its terms, including the relevant pricing mechanism and the periodic reporting of the relevant transaction amounts.

The enterprise development department and the finance department of the Company will monitor the continuing connected transactions and summarise the transaction amounts incurred under each of the connected transaction framework agreements regularly on a monthly basis, and reports will be submitted to the Board for its quarterly review. In the event the actual transaction amount reaches 80% of the relevant annual cap, a re-assessment will be conducted. If it is determined after such re-assessment that the annual cap may be exceeded, the enterprise development department of the Company would initiate the procedures for a board meeting and/or shareholders' meeting (as and when required) to increase the annual cap as soon as practicable.

Further, each of the Non-Exempt Continuing Connected Transactions is subject to the reporting requirements and the annual review by the independent non-executive Directors and the auditors of the Company to ensure that the transactions are conducted in accordance with its terms (including the pricing mechanism) as set out in the Non-Exempt Connected Transaction Agreements.

The Board is of the view that the above internal control measures can ensure that the continuing connected transactions of the Group under the Non-Exempt Connected Transaction Agreements are conducted on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

In addition to the reasons set out above, the Directors are of the view that the continuing connected transactions set out in this circular have been and will continue to be beneficial to the Group and will facilitate the growth and development of the Group.

Mr. Long Zhong Sheng, who is an executive Director, is also a director of China Times. As such, Mr. Long Zhong Sheng was deemed to have a material interest in, and he has abstained from voting on, the resolutions passed by the Board to approve the Non-Exempt Connected Transaction Agreements and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in, or is required to abstain from voting on the resolutions passed by the Board to approve the Non-Exempt Connected Transaction Agreements and the transactions contemplated thereunder.

IV. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, China Times directly held 11,962,999,080 Shares, representing approximately 66.85% of the issued share capital of the Company, and is a wholly owned subsidiary of the Parent Company. Accordingly, the Parent Company is a controlling shareholder of the Company indirectly interested in approximately 66.85% of the issued share capital of the Company, and CNMC is the controlling shareholder of the Parent Company holding approximately 57.99% of the equity interests in the Parent Company. CNMC Financial Company is a non-wholly-owned subsidiary of CNMC. Therefore, each of China Times, the Parent Company and CNMC is a connected person of the Company. Yangxin Hongsheng is owned by Daye Metal as to 52.00%, China No. 15 Metallurgical (a wholly-owned subsidiary of CNMC) as to 24%, Huangshi Xingang Development as to 16% and Huangshi State-owned Assets Management as to 8%, respectively. Accordingly, Yangxin Hongsheng is a connected subsidiary of the Company. Therefore, the transactions contemplated under each of the framework agreements set out in this circular constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Regarding each of the Non-Exempt Continuing Connected Transactions, as the highest applicable percentage ratio in respect of their Proposed Annual Caps exceeds 5%, the Non-Exempt Continuing Connected Transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Regarding the deposit services to be provided under the CNMC Financial Services Framework Agreement, as the highest applicable percentage ratio in respect of the Proposed Annual Caps exceeds 25%, the provision of such services will constitute (i) a continuing connected transaction that is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) a major transaction that is subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Regarding the loans, guarantees and integrated credit facilities services to be provided under the CNMC Financial Services Framework Agreement, such services will be provided by the CNMC Group for the benefit of the Company on normal commercial terms similar to those for comparable services in the PRC and no security over the assets of the Group will be granted. Therefore, the provision of such services will constitute a continuing connected transaction that is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

V. FINANCIAL EFFECTS OF THE DEPOSIT SERVICES

As mentioned above, the interest rates for the deposit services to be provided by the CNMC Group to the Group under the CNMC Financial Services Framework Agreement are expected to be equal to or more favorable to the Group than the prevailing benchmark interest rates quoted by the PBOC from time to time. The deposits to be placed with the Group under the Financial Services Framework Agreement for each of the three years ending 31 December 2025 are expected to not exceed RMB2,697,750,000, RMB2,827,221,000, and RMB2,929,468,000 respectively, and the Company expects that the interest income to be earned from the deposit services will be affected by the level of interest rates. However, taking into account the prevailing interest rates for deposits in the PRC, the potential interest income to be earned from the deposit services for the three years ending 31 December 2025 is expected to represent only a small contribution to the earnings and assets of the Group. As such, the Company anticipates that such potential interest income to be earned from the deposit services for the three years ending 31 December 2025 will not have any material impact on the earnings, assets and liabilities of the Group.

VI. REASONS FOR ENTERING INTO THE YANGXIN HONGSHENG SALES FRAMEWORK AGREEMENT AND THE YANGXIN HONGSHENG PURCHASE FRAMEWORK AGREEMENT

Yangxin Hongsheng is a joint venture of four companies and is owned by Daye Metal as to 52%, China No. 15 Metallurgical as to 24%, Huangshi Xingang Development as to 16% and Huangshi State-owned Assets Management as to 8%, respectively. Hence, Yangxin Hongsheng is both a subsidiary of the Company and the Parent Group and is a connected subsidiary of the Company. Despite the transactions between the Company and Yangxin Hongsheng in 2022 are currently under the existing Parent Group Sales Framework Agreement and the Parent Group Purchase and Production Framework Agreement, as Yangxin Hongsheng and the New Copper Cathode Production Plant owned by Yangxin Hongsheng is expected to come into full operation in 2023, the Company has entered into two separate framework agreements with Yangxin Hongsheng (i.e. the Yangxin Hongsheng Sales Framework Agreement and the Yangxin Hongsheng Purchase Framework Agreement) to more clearly delineate the scope of the transactions under each of the Non-Exempt Continuing Connected Transactions.

The transactions contemplated under the Yangxin Hongsheng Sales Framework Agreement and the Yangxin Hongsheng Purchase Framework Agreement are not included in both the scope and the calculation of the Proposed Annual Caps under the Parent Group Sales Framework Agreement and the Parent Group Purchase and Production Services Framework Agreement, respectively, for the three years ending 31 December 2025.

VII. INFORMATION OF THE GROUP, THE PARENT GROUP AND THE CNMC GROUP

The Group

The Group is principally engaged in the exploitation of mineral resources, the mining and processing of mineral ores and the trading of metal products.

Yangxin Hongsheng is a limited liability company established in the PRC and principally engaged in the manufacturing and sale of metal materials and chemicals, and the sale of non-ferrous alloys and bullion products. It is a non-wholly owned subsidiary of the Company, owned by Daye Metal as to 52.00%, China No. 15 Metallurgical (a wholly-owned subsidiary of CNMC) as to 24%, Huangshi Xingang Development as to 16% and Huangshi State-owned Assets Management as to 8%, respectively.

The Parent Group

The Parent Company is a state-owned conglomerate in the PRC. Its controlling shareholder is CNMC, a state-owned enterprise established in the PRC. The principal business of the Parent Group is copper mining and processing. The Parent Group has a fully integrated operation which enables it to undertake the different stages of copper production from mining, processing, smelting and plating, research and development, design to sales and trading.

China Times is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. It is the immediate controlling Shareholder and is a wholly-owned subsidiary of the Parent Company.

The CNMC Group

CNMC is a PRC state-owned enterprise directly administered by the State-owned Assets Supervision and Administration Commission of the State Council. The CNMC Group is principally engaged in the development of non-ferrous metal resources, construction and engineering, as well as related trade and services, both in the PRC and overseas.

CNMC Financial Company is a limited liability company established in the PRC and a non-wholly owned subsidiary of CNMC. It is regulated by PBOC and CBIRC to provide financial services to other members of the Parent Group and the CNMC Group.

VIII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

In this connection, the Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

IX. SPECIAL GENERAL MEETING

The SGM will be convened and held at Function Room 4 & 6, 3/F, The Mira Hong Kong, Mira Place, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 11 January 2023 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps. The notice of SGM is set out on pages SGM-1 to SGM-6 of this circular. China Times, which directly held 11,962,999,080 Shares (representing 66.85% of the issued share capital of the Company) as at the Latest Practicable Date, will abstain from voting on the resolutions approving the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

Save as abovementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps and therefore, no other Shareholder is required to abstain from voting at the SGM for the relevant resolutions.

The record date for determining Shareholders' right to attend and vote at the SGM is Thursday, 5 January 2023. In order to qualify for attending and voting at the said meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration, no later than 4:30 p.m. on Thursday, 5 January 2023.

A form of proxy for use at the SGM is despatched to Shareholders together with this circular. Whether or not you are able to attend the SGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the SGM or any adjournment thereof if they so wish and in such event, the proxy form shall be deemed to be revoked.

Pursuant to bye-law 67 of the Current Bye-Laws and Rule 13.39(4) of the Listing Rules, any vote of the Shareholders to be taken at a general meeting of the Company shall be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement of the poll results will be made by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

X. RECOMMENDATIONS

The Independent Board Committee, having taken into account and based on the recommendation of the Independent Financial Adviser, considers that each of the Non-Exempt Continuing Transactions have been entered into on normal commercial terms, in the ordinary and usual course of business of the Group, and together with the Proposed Annual Caps, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee has recommended the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

XI. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 49 of this circular, containing its recommendation in respect of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 50 to 101 of this circular, containing its recommendation in respect of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps; and (iii) the additional information set out in the appendices to this circular.

By order of the Board
China Daye Non-Ferrous Metals Mining Limited
Xiao Shuxin
Chairman

中國大冶有色金屬礦業有限公司
China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 00661)

23 December 2022

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 23 December 2022 issued by the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps, details of which are set out in the "Letter from the Board" in the Circular. Amasse Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the "Letter from the Board" set out on pages 7 to 48 of the Circular; (ii) the "Letter from the Independent Financial Adviser" set out on pages 50 to 101 of the Circular and (iii) the additional information set out in the appendices to the Circular.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that: the Non-Exempt Continuing Connected Transactions (including the Proposed Annual Caps) are (i) entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

Yours faithfully,
for and on behalf of
the Independent Board Committee
Wang Qihong **Wang Guoqi** **Liu Jishun**
Independent Non-executive Directors

Set out below is the full text of the letter received from Amasse Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular.

AMASSE CAPITAL
寶 積 資 本

23 December 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of (i) the Parent Group Sales Framework Agreement; (ii) the Yangxin Hongsheng Sales Framework Agreement; (iii) the Parent Group Purchase and Production Services Framework Agreement; (iv) the CNMC Group Purchase and Production Services Framework Agreement; (v) Yangxin Hongsheng Purchase Framework Agreement; (vi) the Parent Group Combined Ancillary Services Framework Agreement; and (vii) the placing of deposit by the Group to the CNMC Financial Company and the provision of bills acceptance and settlement and foreign exchange settlement and sales services by the CNMC Financial Company to the Group under the CNMC Financial Services Framework Agreement (together referred as to the "**Non-Exempt Continuing Connected Transaction Agreements**"), and the respective annual caps and transactions contemplated thereunder (the "**Non-Exempt Continuing Connected Transactions**").

Details of the Non-Exempt Continuing Connected Transactions are set out in the letter from the Board contained in the circular of the Company dated 23 December 2022 (the "**Circular**"), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders for any transaction.

With regard to our independence from the Company, it is noted that apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (collectively, the "**Management**"). We have reviewed information on the Company, including but not limited to (i) the announcement of the Company dated 22 November 2022 in relation to, among others, the Non-Exempt Continuing Connected Transactions; (ii) the Non-Exempt Continuing Connected Transaction Agreements; and (iii) other information contained in the Circular. We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Non-Exempt Continuing Connected Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular as a whole misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Non-Exempt Continuing Connected Transaction Agreements or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the Non-Exempt Continuing Connected Transactions. We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be construed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion, we have taken into consideration the following principal factors and reasons.

1. Background Information of on the Group, the Parent Group and the CNMC Group

The Group

The Group is principally engaged in the exploitation of mineral resources, the mining and processing of mineral ores and the trading of metal products.

Yangxin Hongsheng is limited liability company established in the PRC and principally engaged in the manufacturing and sale of metal materials and chemicals, and the sale of nonferrous alloys and bullion products. It is a non-wholly owned subsidiary of the Company, owned by Daye Metal as to 52.00%, China No. 15 Metallurgical (a wholly-owned subsidiary of CNMC) as to 24%, Huangshi Xingang as to 16% and Huangshi State-owned Assets Management as to 8%, respectively.

The Parent Group

The Parent Company is a state-owned conglomerate in the PRC. Its controlling shareholder is CNMC, a state-owned enterprise established in the PRC. The principal business of the Parent Group is copper mining and processing. The Parent Group has a fully integrated operation which enables it to undertake the different stages of copper production from mining, processing, smelting and plating, research and development, design to sales and trading.

The CNMC Group

CNMC is a PRC state-owned enterprise directly administered by the State-owned Assets Supervision and Administration Commission of the State Council. The CNMC Group is principally engaged in the development of non-ferrous metal resources, construction and engineering, as well as related trade and services, both in the PRC and overseas.

CNMC Financial Company is a limited liability company established in the PRC and a non-wholly owned subsidiary of CNMC. It is regulated by PBOC and CBIRC to provide financial services to other members of the Parent Group and the CNMC Group.

2. Major Terms of the Non-Exempt Continuing Connected Transaction Agreements

2.1 CNMC Financial Services Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company; and
	(2) CNMC.
Nature of transactions:	The Group shall place deposits with the CNMC Group.
	The CNMC Group shall provide to the Group the following financial services: loans, guarantees and integrated credit facilities, bills acceptance and settlement, foreign exchange settlement and sales and such other financial services as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.

Price of services:	With reference to the fees charged by commercial banks for similar services, subject to compliance with applicable laws and regulations and provisions of PBOC on interest rate management. To ensure that the pricing policies under the CNMC Financial Services Framework Agreement are complied with, prior to conducting the connected transactions under the CNMC Financial Services Framework Agreement, the Group will enquire with third party commercial banks about the interest rates for loans and deposits of the same term and the fees for provision of similar financial services charged by them, to compare with the interest rates for loans and deposits and fees charged for the connected transactions between the Group and the CNMC Group and determine the relevant interest rates and fees in accordance with the pricing policies under the CNMC Financial Services Framework Agreement. The Group will seek to obtain quotations from at least three independent third party commercial banks in each case where practicable.
Time and method of payment:	Based on market practice.
Deposit and loan amounts:	The average daily amount of deposits placed by the Group with the CNMC Group must not exceed the average daily amount of outstanding loans extended by the CNMC Group to the Group. The average daily amount of deposits is arrived by dividing the cumulative amount of fund balances collected by the Group at a fixed time point each day within a period (365 days) by 365 days. The average daily amount of outstanding loans is arrived by dividing the cumulative amount of the daily outstanding loans balance of the CNMC Group used by the Company within a period (365 days) by 365 days
Set-off upon default on deposits:	If CNMC Group is unable to return on time the deposits (including accrued interest) placed to it by the Group, the Group shall have the right to: (i) terminate the CNMC Financial Services Framework Agreement; and (ii) set off such deposits (including accrued interest) against the outstanding loans (including accrued interest) extended by CNMC Group to the Group.

Compensation for losses suffered by the Group:	CNMC Group shall fully compensate the Group for any loss incurred by the Group (including in relation to the amount of outstanding deposits or loans and accrued interest or any related expenses incurred) as a result of any of the following: (i) the CNMC Group breaches, or is likely to breach, any PRC laws or regulations; (ii) the occurrence of, or likely occurrence of, any material problem in CNMC Group's operations or difficulties in payment; or (iii) CNMC Group does not comply or breaches the CNMC Financial Services Framework Agreement.
Undertaking by CNMC:	CNMC undertakes to the Group that if CNMC Financial Company experiences or foresees any difficulties in payment, CNMC will inject capital into CNMC Financial Company based on the latter's needs in order to ensure the latter's normal operations.

Reasons for and benefits of entering into the CNMC Financial Services Framework Agreement

CNMC Financial Company is a non-wholly owned subsidiary of CNMC. It is regulated by PBOC and CBIRC as a financial company in the PRC to provide financial services to other members of the Parent Group and the CNMC Group. As discussed with the Management, the entering into the CNMC Financial Services Framework Agreement is for the purpose to obtain efficient and cost-effective financial services provided by CNMC Financial Company. As such, we are of the view that the entering into the CNMC Financial Services Framework Agreement falls within the ordinary and usual course of business of the Group.

We are given to understand by the Management that the risk profile of CNMC Financial Company is no greater than that of other independent commercial banks in the PRC, while there are numerous advantages of utilising the financial services provided by the CNMC Financial Company over similar services provided by other independent commercial banks in the PRC for the following reasons:

(i) similar to other independent commercial banks in the PRC, CNMC Financial Company will be regulated by the PBOC and the CBIRC, and will provide services pursuant to the relevant rules and requirements, including capital risk guidelines and requisite capital adequacy ratios of such regulatory authorities;

(ii) the regulation of finance companies (such as CNMC Financial Company) by the CBIRC is more stringent than the regulation of commercial banks in the PRC in certain aspects, for example, finance companies are required to have a higher capital adequacy ratio;

(iii) the CBIRC will review the operations and management of finance companies in the PRC pursuant to the Guideline of Risk Assessment and Classified Regulation on Financial Companies of Enterprise Groups (企業集團財務公司風險評價和分類監管指引) which covers areas including a finance company's internal management, operating conditions and the related group's influence over and support to the finance company; and

(iv) the CNMC Financial Services Framework Agreement provides the Group with numerous rights and sets out numerous internal control and risk management measures that safeguard the interests of the Company and the Shareholders. For example, the average daily deposits placed by the Group with the CNMC Group must not exceed the average daily outstanding loans. The Group may also set-off any defaulted deposits against any outstanding loans extended by CNMC Group to the Group and has various rights of compensation. In addition, CNMC Financial Company shall (and CNMC shall ensure that CNMC Financial Company shall):

(a) implement stringent internal control and effective risk management measures (the efficiency and effectiveness of which will be regularly reviewed by the CBIRC);

(b) comply with applicable laws and regulations, and in particular strictly comply with any requirements relating to the management of financial companies under all PRC laws and regulations (including any PRC laws and regulations), as amended from time to time;

(c) provide the Group with access to the books and accounts of CNMC Financial Company for inspection as soon as practicable upon the Group's request; and

(d) when providing financial services to members of the Group, exercise its own judgment and prudent approval process to determine whether to provide such financial services to such members of the Group.

Further, as an inter-group service provider, the provision of financial services under the CNMC Financial Services Framework Agreement is expected to render more expedient and efficient financial services to the Group, especially due to the multiple financing channels offered by the CNMC Group. In addition, it is expected that any applicable interest rates for the financial services will be equal to or more favourable to the Group than the benchmark interest rates quoted by the PBOC from time to time, while any other applicable fees, terms and exchange rates offered will also be equal to or more favourable to the Group than that offered by other independent commercial banks in the PRC, which would reduce the overall financial costs of the Group.

We agree with the Management that the financial assets of the Group maintained by the CNMC Financial Company shall be regulated according to the relevant rules and regulations as applied to other independent commercial banks and financial institutions in the PRC. We consider the Group's financial assets shall be properly safeguarded by the relevant standards, rules and regulations. In addition, we understand from the Management that in order to ensure the pricing policies under the CNMC Financial Services Framework Agreement are complied with, prior to conducting the transactions thereunder, the Group will enquire with third party commercial banks where applicable, including but not limited to obtaining at least three quotes from third party commercial banks, about (i) the interest rates for deposits for comparing the interest rates provided by the CNMC Financial Company; (ii) the exchange rates for foreign exchange settlement for comparing the exchange rates offered by the CNMC Financial Company; and (iii) the applicable handling fees for the same or similar financial services provided for comparing the applicable handling fees charged by the CNMC Financial Company, and determine the relevant interest rates, exchange rates and handling fees in accordance with the pricing policies under the CNMC Financial Services Framework Agreement.

Moreover, we have discussed with the Management and understand that the provision of deposit services as well as the bills acceptance, settlement, foreign exchange settlement and sales services by the CNMC Financial Company will help to facilitate the fund management amongst the members of the Group and the CNMC Group in a more efficient manner. By maintaining accounts of the Group with the CNMC Financial Company and leveraging on the CNMC Financial Company as the settlement platform, fund transmission time can be reduced to expedite the turnaround of funds, and thus strengthen the Company's centralised fund management. In addition, enabling the Group to access a centralised fund pool can provide flexibility to the Group in making timely inter-group transfers from time to time without any restriction in meeting its funding needs, utilise idle cash balances within the Group, and reduce funding cost of the Group in general.

In conclusion, we are of the view that entering into the CNMC Financial Services Framework Agreement is in the interests of the Group and the Shareholders as a whole.

Proposed Annual Caps under the CNMC Financial Services Framework Agreement

(a) Deposit services

In respect of the deposit services provided or to be provided by CNMC Group to the Group, the table below sets out the historical figures, existing annual caps and the Proposed Annual Caps under the CNMC Financial Services Framework Agreement:

Year ended 31 December 2020		**Year ended 31 December 2021**		**Year ending 31 December 2022**		**Year ending 31 December 2023**	**Year ending 31 December 2024**	**Year ending 31 December 2025**
Annual cap	**Actual amount**	**Annual cap**	**Actual amount**	**Annual cap**	**Actual amount (up to 31 October 2022)**	**Proposed annual cap**	**Proposed annual cap**	**Proposed annual cap**
	(audited)		*(audited)*		*(unaudited)*			
(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
2,681,869	305,250	2,885,041	789,393	3,110,325	1,042,139	2,697,750	2,827,221	2,929,468

We understand that the above Proposed Annual Caps were determined with reference to the: (i) amount of deposits (including accrued interests) historically made by the Group; (ii) estimated daily cash flow of the Group for the three years ending 31 December 2025, having considered the business operations needs and expected development of the Group; and (iii) expected interest rate by reference to prevailing interest rates on deposits offered by other finance companies in the PRC.

As advised by the Management, the historical maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with the CNMC Financial Company during the two years ended 31 December 2021 and the ten months ended 31 October 2022 amounted to approximately RMB0.3 billion, RMB0.8 billion and RMB1.0 billion, respectively.

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have discussed with the Management in respect of the possible maximum deposits to be placed by the Group on any given day during the term of the CNMC Financial Services Framework Agreement, after having taken into account the Group's development plan, expected cash flow, business operation and financial needs.

We have reviewed the latest interim report of the Company and note that the cash and bank balances of the Group as at 30 June 2022 amounted to approximately RMB0.6 billion.

We have also discussed with the Management and understand that (i) the Company has secured revolving credit facilities from banks totaling approximately RMB0.6 billion for working capital of the Group; and (ii) the cash flow cycle from trade receivables (which is expected to further strengthen after taking into account the increased production capacity of the Group following commencement of operation of the New Copper Cathode Production Plant in October 2022) will constitute part of the Group's available daily cash balance. We have also obtained from the Management and reviewed the available daily cash balance of the Group during the two years ended 31 December 2021 and the ten months ended 31 October 2022, and note that the available daily cash and bank balances of the Group (excluding any cash and/or bank balances that are earmarked for specific development/operation purpose) had reached as high as approximately RMB2.5 billion during the said period.

Moreover, we understand from the Management that (i) the interest rates received by the Company during the ten months ended 31 October 2022 from commercial banks in the PRC for its bank balance are around 0.05% for US$ and 0.3% for RMB per annum; and (ii) the interest rate for deposits to be provided by the CNMC Financial Company is expected to be around 0.52% for USD and 1.3225% for RMB per annum. Accordingly, we agree with the Management that the expected interest rate of 0.52% for US$ and 1.3225% for RMB per annum to be provided by the CNMC Financial Company is more favourable to the Group as compared with interest rates offered by commercial banks in the PRC.

Taking into account the above factors as a whole, we are of the view that the Proposed Annual Caps for the deposit services are fair and reasonable.

(b) Bills acceptance and settlement and foreign exchange settlement and sales services

In respect of the bills acceptance and settlement and foreign exchange settlement and sales services provided or to be provided by CNMC Group to the Group, the table below sets out the historical figures, existing annual caps and the Proposed Annual Caps under the CNMC Financial Services Framework Agreement:

Year ended 31 December 2020		Year ended 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
Annual cap	**Actual amount** *(audited)*	**Annual cap**	**Actual amount** *(audited)*	**Annual cap**	**Actual amount (up to 31 October 2022)** *(unaudited)*	**Proposed annual cap**	**Proposed annual cap**	**Proposed annual cap**
(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
6,120,300	313,028	11,090,900	2,479,759	16,502,900	1,363,097	8,286,025	8,288,625	8,288,625

We understand that the above Proposed Annual Caps were determined with reference to (i) historical amount of foreign exchange transacted by the Group; (ii) fees of bills acceptance and settlement services historically received by the Group; (iii) cost of similar financial services charged by other independent commercial banks taking into account the benchmark interest rates quoted by the PBOC from time to time; and (iv) the anticipated amount of bills acceptance and settlement and foreign exchange settlement and sales services to be purchased by the Group from the CNMC Group for the three years ending 31 December 2025.

Under the CNMC Financial Services Framework Agreement, the Group and the CNMC Financial Company will enter into definitive contracts pursuant to which the CNMC Financial Company will provide spot foreign exchange settlement and sale services for foreign currencies such as US dollars to the Group, as the Group's revenue are mainly in RMB but it requires US dollars to settle payments to certain raw material suppliers in the international market (including suppliers of copper concentrate and blister copper).

As advised by the Management, the Group purchases certain raw materials from the international market which are primarily conducted in US dollars for its production purposes. The historical amount of foreign exchange transacted by the Group for the two years ended 31 December 2021 and the ten months ended 31 October 2022, amounted to approximately RMB12.9 billion, RMB16.9 billion and RMB14.1 billion, respectively.

The increase in the Proposed Annual Caps for the bills acceptance and settlement and foreign exchange settlement and sales services to be provided by the CNMC Financial Company to the Group as compared with the historical amount is primarily due to the expected increase in the Group's demand for the amount of foreign exchange for its purchases of raw materials from the international market following the commencement of operation of the New Copper Cathode Production Plant in October 2022.

The Proposed Annual Caps in FY2023, FY2024 and FY2025 are approximately RMB8.3 billion for each of the three years. We have discussed with the Management and understand that the Proposed Annual Caps were determined with reference to, among others:

(i) the Proposed Annual Caps in FY2023 is primarily made with reference to (a) the historical amount of foreign exchange transacted by the Group during the two years ended 31 December 2021 and the ten months ended 31 October 2022 which amounted to approximately RMB12.9 billion, RMB16.9 billion and RMB14.1 billion, respectively; (b) the estimation by the Company that the total amount of foreign exchange transacted by the Group for the year ending 31 December 2022 will reach approximately RMB26 billion, after taking into account the commencement of operation of the New Copper Cathode Production Plant in October 2022, which will cause a corresponding increase in demand in the amount of foreign exchange for the Group's purchases of certain raw materials from the international market; and (c) based on the estimation on the amount and prices of raw materials to be imported by the Group after taking into account the increased production capacity of the Group following commencement of operation of the New Copper Cathode Production Plant in October 2022, the total amount of foreign exchange to be transacted by the Group is expected to be approximately RMB42.2 billion for each of the three years ending 31 December 2025. It is intended by the Group to satisfy approximately 20% of its total demand for foreign exchange for each of the three years ending 31 December 2025 with its purchase of foreign exchange and settlement services from the CNMC Financial Company. Regarding the remainder, subject to comparable rates and service fees, the Group will purchase the foreign exchange from other commercial banks and institutions in order to diversify the sources of supply and at the same time to maintain sound business relationships with the commercial banks and institutions; and

(ii) it is the intention of the Company to maintain similar foreign exchange transaction level by the Group with the CNMC Financial Company in FY2024 and FY2025 as compared with FY2023.

Moreover, we understand from the Management that the fees charged by commercial banks in the PRC to the Group for the bills acceptance and settlement services during the ten months ended 31 October 2022 amounted to approximately 2.6%. As advised by the Management, it is expected that the fees in respect of the said services to be charged by the CNMC Financial Company will be around 2.6%. Accordingly, we agree with the Management that the expected fees of 2.6% to be charged by the CNMC Financial Company is comparable with those offered by commercial banks in the PRC.

Taking into account the above factors as a whole, we are of the view that the Proposed Annual Caps for the bills acceptance, settlement services and foreign exchange settlement and sales services are fair and reasonable.

2.2 Parent Group Sales Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company; and (2) the Parent Company.
Nature of transactions:	The Group will supply certain products to the Parent Group, including gold, silver, copper cathodes, copper concentrate, natural gas, residual heat power generation, water, electricity, raw materials, auxiliary equipment, supporting materials, spare part materials, production equipment, tools, sulfuric acid, dump truck, waste materials, scrap steel, scrap stainless steel, scrap copper cathodes mold, spare part materials, platinum, spongy palladium, crude selenium, tellurium ingot and such other products as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the Market Price or a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As at the Latest Practicable Date, prices for the supply of the relevant products will be determined by the parties on the following basis:

Gold:	With reference to the market price of gold as quoted on (i) the Shanghai Gold Exchange; or for gold for export, (ii) the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters) (as applicable)
Silver:	With reference to the market price of silver as quoted on (i) the Shanghai Gold Exchange; (ii) the Shanghai Huatong Silver Exchange; or, for silver for export (iii) the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters) (as applicable).
Copper cathodes:	With reference to the market price of copper as quoted on (i) the Shanghai Futures Exchange (adjusted with reference to the premium or discount quoted on metal spot websites); or, for copper cathodes for export, (ii) the London Metal Exchange (adjusted with reference to the premium or discount quoted by Reuters).
Copper concentrate:	With reference to (as applicable): (i) the market price of gold as quoted on the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters); (ii) the market price of silver as quoted on the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters); or (iii) the market price of copper as quoted on the London Metal Exchange (adjusted with reference to the premium or discount quoted by Reuters as applicable), and the smelting and processing costs of the copper concentrate.
Natural gas:	With reference to the price of natural gas prescribed by the competent government price authority, currently with reference to the price of natural gas prescribed by Huangshi Price Bureau* (黃石市物價局). The selling price shall be adjusted accordingly in case of adjustment in the government guidance price.
Residual heat power generation:	With reference to the price guidance documents issued by the competent government authority, currently with reference to the price of electricity prescribed by Hubei Province Price Bureau (湖北省物價局). The selling price will be updated in case of adjustment in the government guidance price.

Water:	With reference to the price guidance documents issued by the competent government authority, currently with reference to the price of water prescribed by Huangshi Price Bureau* (黃石市物價局). The selling price will be updated in case of adjustment in the government guidance price.
Electricity:	With reference to the price guidance documents issued by the competent government authority, currently with reference to the price of electricity prescribed by Hubei Province Price Bureau (湖北省物價局). The selling price will be updated in case of adjustment in the government guidance price.
Raw materials, auxiliary equipment, supporting materials, spare part materials, production equipment and tools:	With reference to the tender prices and the overall market condition. The Group will conduct competitive tender, prepare tender document and publish the tender document on the Group's purchase tender e-commerce platform (http://ecp.cnmc.com.cn). The Group will invite at least three qualified buyers (including the Parent Group and two independent third party buyers) to participate in the relevant tenders. Selection of the final buyer(s) will be made based on price offered according to the tender document. Such offer price will be the final settlement price.
Sulfuric acid:	With reference to market price of sulfuric acid chemical products quoted on the industry-related website, which is currently Baiinfo website and the overall market condition.
Dump truck:	With reference to the value of the vehicle in the vehicle valuation report, which is determined according to the relevant laws and measures issued by the government authorities, and with reference to the service life and the newness of the equipment of the vehicle.
Waste materials:	With reference to the market price determined through price inquiries and the market price of copper futures contract as quoted on the Shanghai Futures Exchange.

Scrap steel, scrap stainless steel, scrap copper cathodes mold, spare part material	With reference to the tender prices and the overall market condition. The Group will conduct tenders by invitation, inviting at least three qualified buyers (including the Parent Group and two independent third party buyers) to participate in the relevant tenders. Selection of the final buyer(s) will be made primarily based on price offered, but consideration will also be given to the historical cooperation relationship with the buyers and the capability of timely settlement of the buyers. When actual transactions are proposed to be conducted during the relevant financial year: (i) in respect of the supply of scrap steel and scrap stainless steel by the Group, the settlement prices for scrap steel and scrap stainless steel will be the tender price, and adjusted (if required) with reference to the market price of scrap steel or scrap stainless steel quoted on the industry related websites, which is currently YD Steel (http://www.ydsteel.com) and CN Gold (https://jiage.cngold.org) respectively, on the day immediately prior to the actual date of transaction. (ii) in respect of the supply of scrap copper cathodes mold by the Group, the price will be the tender price, and adjusted (if required) with reference to the relevant processing costs incurred by the Group and the market price of scrap steel, being the prices charged by independent third party suppliers supplying scrap steel in their ordinary course of business in the same or nearby area. (iii) in respect of the supply of spare part materials, the price will be the tender price, and adjusted (if required) with reference to the relevant market price, being the prices charged by independent third party suppliers providing similar type of products in their ordinary course of business in the same or nearby area.

Platinum, spongy palladium, crude selenium and tellurium ingot:	With reference to the tender prices and the overall market condition. The Group will conduct competitive tender, prepare tender document and publish the tender document on the Group's purchase tender e-commerce platform (http://ecp.cnmc.com.cn). The Group will invite at least three qualified buyers (including the Parent Group and two independent third party buyers) to participate in the relevant tenders. Selection of the final buyer(s) will be made based on price offered according to the tender document. Such offer price will be the final settlement price.

Reasons for and benefits of entering into the Parent Group Sales Framework Agreement

In respect of the existing continuing connected transactions, the sales framework agreement dated 22 November 2019 entered into between the Company and the Parent Company will expire on 31 December 2022. The Company intends to continue to enter into transactions of a similar nature from time to time after the expiry date. Therefore, on 22 November 2022, the Company and the Parent Company entered into the Parent Group Sales Framework Agreement, nature of which is similar to that of the transactions under the aforesaid sales framework agreement, for a term of three years from 1 January 2023 to 31 December 2025.

We have discussed with the Management and understand that entering into the Parent Group Sales Framework Agreement will broaden the revenue base of the Group and allow it to leverage on the sales network of the Parent Group in the PRC and Hong Kong.

We have obtained from the Company and reviewed the Group's relevant internal control manual. We note that when considering the terms of the relevant products, the Company shall primarily refer to the government-prescribed price. If such government-prescribed price is not available, the Group shall refer to the Market Price and/or quotes from other independent third parties.

We have also reviewed the Parent Group Sales Framework Agreement and note that the basis of determining the prices for the products are clearly stated thereunder, which is primarily made with reference to the relevant government-prescribed price, or the Market Price if there is no applicable government-prescribed price. In addition, we have obtained from the Company and reviewed samples of existing contracts for the relevant products. We note that the prices of the relevant products were primarily determined with reference to the Market Price, such as the market price as quoted on the Shanghai Futures Exchange. We consider that the Company has complied with its internal control procedures and the contract prices under the samples are in line with the Company's pricing policy as described above.

In view of the aforementioned factors, we are of the view that the pricing mechanism of the products under the Parent Group Sales Framework Agreement is fair and reasonable.

Further, we have interviewed with the Management and understand that the directors and senior management of the Company will monitor closely and review regularly the continuing connected transactions of the Company. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to the continuing connected transactions, the independence of the Company; the fairness of the price of the transactions; the fairness of the terms of the transactions; and the right of the Company to conduct transactions with independent third parties other than the Parent Group. The relevant arrangements include: (i) the continuing connected transactions contemplated under the Parent Group Sales Framework Agreement are conducted on a non-exclusive basis; (ii) upon the signing of the Parent Group Sales Framework Agreement and its approval by the Independent Shareholders, the relevant business department of the Company will be responsible for the implementation of the Parent Group Sales Framework Agreement; and (iii) before the signing of each individual agreement, the finance department of the Company will evaluate the terms, including the fairness of the price, of the agreement as well as monitor the Company's existing continuing connected transactions, and review whether the Company's transactions are fair and reasonable in accordance with the terms of the Parent Group Sales Framework Agreement and internal control manual. As such, we are of the view that the Group has a sound risk management system to safeguard the interest of the Company.

Moreover, we are given to understand that the business model of the Group and the Parent Group are distinct and there should not be any significant direct competition among the businesses of the Group and the Parent Group given that (i) the core copper-related business of the Parent Group has already been transferred to the Group; (ii) the Parent Group is mainly engaged in the midstream to downstream business (e.g. processing of coarse copper into anode plates, production and sales of copper rods and copper tubes), while the Group is mainly engaged in the upstream to midstream business (e.g. exploration, mining and processing of copper ore, smelting of copper concentrates and sales of copper cathodes); and (iii) the trading business, which is a core business of the Parent Group, will not be a core business of the Group.

In conclusion, we are of the view that entering into the Parent Group Sales Framework Agreement is in the interests of the Company and the Shareholders as a whole.

Proposed annual caps under the Parent Group Sales Framework Agreement

The table below sets out the historical figures, existing annual caps and Proposed Annual Caps for the Parent Group Sales Framework Agreement:

Year ended 31 December 2020		Year ended 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
Annual cap	Actual amount *(audited)*	Annual cap	Actual amount *(audited)*	Annual cap	Actual amount (up to 31 October 2022) *(unaudited)*	Proposed annual cap	Proposed annual cap	Proposed annual cap
(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
7,207,373	2,898,121	10,802,160	5,002,428	14,383,651	5,853,870	14,849,212	22,793,246	23,515,155

We understand that the above Proposed Annual Caps have been determined with reference to the: (i) existing purchase orders placed by the Parent Group; (ii) projected future orders based on the expected increase in the products to be sold to the Parent Group as a result of the expected growth in the business of the Parent Group; and (iii) the average historical market price and the anticipated future market price for the relevant products.

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have obtained from the Management and reviewed the relevant calculations of the Proposed Annual Caps.

We note that the major product expected to be sold by the Group to the Parent Group under the Parent Group Sales Framework Agreement is the copper cathode. As advised by the Management, the Group's current production capacity of copper cathodes is approximately 480,000 tonnes per year.

As advised by the Management, the New Copper Cathode Production Plant (which is a high purity copper cathode production plant located in Huangshi Xingang (Logistics) Industrial Park, Huangshi, Hubei, the PRC, with a production capacity of 400,000 tonnes per year and a total site area of approximately 1 million square metres) has commenced its operation since October 2022. The New Copper Cathode Production Plant has increased and will gradually further increase the Group's total production capacity of copper cathode, and also the demand for relevant raw materials such as copper concentrate and scrap copper for production purpose.

We have enquired with the Management and set out below the expected production amount by the Group and sales volume of copper cathode by the Group to the Parent Group in FY2023, FY2024 and FY2025:

	FY2023	**FY2024**	**FY2025**
	approx. tonnes	*approx. tonnes*	*approx. tonnes*
Total expected production of copper cathode by the Group	709,000	880,000	880,000
Expected sales volume of copper cathode by the Group to the Parent Group	180,000	270,000	280,000

As advised by the Management, it is expected that the Group will conduct certain maintenance and repairing works for its production plants in FY2023 and thus will affect its total expected production of copper cathode in FY2023 as compared with its existing total production capacity. Further, we note that the estimated sales volume of copper cathode by the Group to the Parent Group during the three years ending 31 December 2025 ranges from approximately 25% to 32% of the Group's total expected production of copper cathode. We consider that the above estimated sales volume of copper cathode by the Group to the Parent Group do not form a majority portion of the total expected production of copper cathode by the Group and it is within the Group's production capacity.

The Proposed Annual Caps in FY2023, FY2024 and FY2025 are approximately RMB14.8 billion, RMB22.8 billion and RMB23.5 billion respectively. We have interviewed with the Management and understand that the Proposed Annual Caps were determined with reference to, among others:

(i) the Proposed Annual Caps in FY2023 is primarily made with reference to (a) the growth trend in the historical sales amount between the Company and the Parent Group during the past two to three years. The historical sales amount for the two years ended 31 December 2021 and the ten months ended 31 October 2022 had been increasing from approximately RMB2.9 billion to RMB5.0 billion and RMB5.8 billion, respectively; and (b) the estimation by the Company that the total sales amount between the Company and the Parent Group for the year ending 31 December 2022 will reach approximately RMB9.7 billion, after taking into account the increased production capacity of the Group following commencement of operation of the New Copper Cathode Production Plant in October 2022;

(ii) the increases in the Proposed Annual Caps in FY2024 and FY2025 as compared with FY2023 are mainly due to (a) the increasing production capacity of the New Copper Cathode Production Plant and the anticipated corresponding additional sales of copper cathode; and (b) the increase in estimated sales volume of copper cathode by the Group to the Parent Group; and

(iii) the Company has entered into letter of intents with members of the Parent Group, which have explicitly set out the target sales volume of certain products under the Parent Group Sales Framework Agreement for each of the three years ending 31 December 2025. We have obtained from the Management and reviewed the letter of intents, and understood that both parties have reached consensus on the target sales volume as stated thereunder. There will be no consequence or penalty on the Company for not reaching the target volume.

Further, we have conducted analysis on the copper price and reviewed the "World Economic Outlook Database" published by the International Monetary Fund in October 2022 (www.imf.org). According to the database, it is noted that the copper price per ton has increased from US$6,174 in 2020 to US$9,317 in 2021, and forecasted to amount to US$8,815 in 2022, US$7,913 in 2023, US$7,897 in 2024 and US$7,880 in 2025. We note that the copper prices are expected to remain relatively higher for the upcoming few years as compared with the price in 2020, and it is in line with the unit price adopted by the Company to determine the Proposed Annual Caps.

Taking into account the above factors as a whole, we are of the view that the Proposed Annual Caps are fair and reasonable.

2.3 Yangxin Hongsheng Sales Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company; and (2) Yangxin Hongsheng.
Nature of transactions:	The Group will supply certain products to Yangxin Hongsheng, including gold, silver, copper cathodes, copper concentrate, natural gas, residual heat power generation, water, electricity, raw materials, auxiliary equipment, supporting materials, spare part materials, production equipment, tools, sulfuric acid, dump truck, waste materials and such other products as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the Market Price or a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As at the Latest Practicable Date, prices for the supply of the relevant products will be determined by the parties on the following basis:

Gold:	With reference to the market price of gold as quoted on the Shanghai Gold Exchange.
Silver:	With reference to the market price of silver as quoted on (i) the Shanghai Gold Exchange; (ii) the Shanghai Huatong Silver Exchange; or, for silver for export, (iii) the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters) (as applicable).
Copper cathodes:	With reference to the market price of copper as quoted on (i) the Shanghai Futures Exchange or, for copper cathodes for export, (ii) the London Metal Exchange, adjusted with reference to the premium or discount quoted by Reuters (as applicable).
Copper concentrate:	With reference to (as applicable): (i) the market price of gold as quoted on the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters); (ii) the market price of silver as quoted on the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters); or (iii) the market price of copper as quoted on the London Metal Exchange (adjusted with reference to the premium or discount quoted by Reuters), and taking into account the smelting and processing costs of the copper concentrate.
Natural gas:	With reference to the selling price of natural gas issued by the competent government price authority, currently with reference to the price of natural gas prescribed by Huangshi Price Bureau* (黃石市物價局). The selling price shall be adjusted accordingly in case of adjustment in the government guidance price.
Residual heat power generation:	With reference to the price guidance documents issued by the competent government authority, currently with reference to the price of electricity prescribed by Hubei Province Price Bureau (湖北省物價局). The selling price shall be adjusted accordingly in case of adjustment in the government guidance price.

Water:	With reference to the price guidance documents issued by the competent government authority, currently with reference to the price of water prescribed by Huangshi Price Bureau* (黃石市物價局). The selling price shall be adjusted accordingly in case of adjustment in the government guidance price.
Electricity:	With reference to the price guidance documents issued by the competent government authority, the price of electricity prescribed by Hubei Province Price Bureau (湖北省物價局). The selling price shall be adjusted accordingly in case of adjustment in the government guidance price.
Raw materials, auxiliary equipment, supporting materials, spare part materials, production equipment, tools:	With reference to the tender prices and the overall market condition. The Group will conduct competitive tender, prepare tender document and publish the tender document on the Group's purchase tender e-commerce platform (http://ecp.cnmc.com.cn). The Group will invite at least three qualified buyers (including the Parent Group and two independent third party buyers) to participate in the relevant tenders. Selection of the final buyer(s) will be made based on price offered according to the tender document. Such offer price will be the final settlement price.
Sulfuric acid:	With reference to market price of sulfuric acid chemical products quoted on the industry-related website, which is currently Baiinfo website, and the overall market condition.
Dump truck:	With reference to the value of the vehicle in the vehicle valuation report, which is determined according to the relevant laws and measures issued by the government authorities, and with reference to the service life and the newness of the equipment of the vehicle.
Waste materials:	With reference to the market price determined through price inquiries and the market price of copper quoted on the Shanghai Futures Exchange.

Reasons for and benefits of entering into the Yangxin Hongsheng Sales Framework Agreement

We have discussed with the Management and understand that entering into the Yangxin Hongsheng Sales Framework Agreement will be important to leverage on the business operations of Yangxin Hongsheng, including the operation of the New Copper Cathode Production Plant. The New Copper Cathode Production Plant has been put into heat on-load trial run since October 2022, and is expected to reach its production capacity and standard in

2024. The commencement of operation of the New Copper Cathode Production Plant will increase the production capacity of copper cathode of the Group. Further, the Yangxin Hongsheng Sales Framework Agreement allows the Group to serve as a reliable back-up source of supply of copper concentrates to Yangxin Hongsheng, maximize the utilization of the inventory of the Group to facilitate production and minimize the administrative costs and time costs involved for such sales considering its intra-group relationship with the Company.

We have obtained from the Company and reviewed the Group's relevant internal control manual. We note that when considering the terms of the relevant products, the Company shall primarily refer to the government-prescribed price. If such government-prescribed price is not available, the Group shall refer to the Market Price and/or quotes from other independent third parties.

We have also reviewed the Yangxin Hongsheng Sales Framework Agreement and note that the basis of determining the prices for the products are clearly stated thereunder, which is primarily made with reference to the relevant government-prescribed price, or the Market Price if there is no applicable government-prescribed price. In addition, we have obtained from the Company and reviewed samples of existing contracts for the relevant products. We note that the prices of the relevant products were primarily determined with reference to the Market Price, such as the market price as quoted on the London Bullion Market Association and the London Metal Exchange. We consider that the Company has complied with its internal control procedures and the contract prices under the samples are in line with the Company's pricing policy as described above.

In view of the aforementioned factors, we are of the view that the pricing mechanism of the products under the Yangxin Hongsheng Sales Framework Agreement is fair and reasonable.

Further, we have interviewed with the Management and understand that the directors and senior management of the Company will monitor closely and review regularly the continuing connected transactions of the Company. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to the continuing connected transactions, the independence of the Company; the fairness of the price of the transactions; the fairness of the terms of the transactions; and the right of the Company to conduct transactions with independent third parties other than Yangxin Hongsheng. The relevant arrangements include: (i) the continuing connected transactions contemplated under the Yangxin Hongsheng Sales Framework Agreement are conducted on a non-exclusive basis; (ii) upon the signing of the Yangxin Hongsheng Sales Framework Agreement and its approval by the Independent Shareholders, the relevant business department of the Company will be responsible for the implementation of the Yangxin Hongsheng Sales Framework Agreement; and (iii) before the signing of each individual agreement, the finance department of the Company will evaluate the terms, including the fairness of the price, of the agreement as well as monitor the Company's existing continuing connected transactions, and review whether the Company's transactions are fair and reasonable in accordance with the terms of the Yangxin Hongsheng Sales Framework Agreement and internal control manual. As such, we are of the view that the Group has a sound risk management system to safeguard the interest of the Company.

In conclusion, we are of the view that entering into the Yangxin Hongsheng Sales Framework Agreement is in the interests of the Company and the Shareholders as a whole.

Proposed annual caps under the Yangxin Hongsheng Sales Framework Agreement

The table below sets out the Proposed Annual Caps for the Yangxin Hongsheng Sales Framework Agreement:

Year ending 31 December 2023 Proposed annual cap *(RMB'000)*	**Year ending 31 December 2024 Proposed annual cap** *(RMB'000)*	**Year ending 31 December 2025 Proposed annual cap** *(RMB'000)*
2,336,213	2,704,629	3,110,002

We understand that the above Proposed Annual Caps have been determined with reference to the: (i) existing purchase orders placed by other purchasers with the Group for the relevant products; (ii) projected future orders based on the expected amount of products to be sold to Yangxin Hongsheng for the three years ending 31 December 2025; (iii) average historical market price and the anticipated future market price for the relevant products; and (iv) the historical sales between the Company and Yangxin Hongsheng.

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have obtained from the Management and reviewed the relevant calculations of the Proposed Annual Caps.

We note that the major product expected to be sold by the Group to Yangxin Hongsheng under the Yangxin Hongsheng Sales Framework Agreement is copper concentrate.

We understand from the Management that the New Copper Cathode Production Plant is operated by Yangxin Hongsheng and has commenced its operation since October 2022. It was put into heat on-load trial run in October 2022 and is expected to reach its production capacity and standard in 2024. Further, the New Copper Cathode Production Plant demands relevant raw materials such as copper concentrate for its production purpose. Accordingly, it is expected that there would be an increasing volume of future orders from Yangxin Hongsheng due to the gradual increase in the production capacity of the New Copper Cathode Production Plant, leading to the increase in the Proposed Annual Caps for the three years ending 31 December 2025.

We have enquired with the Management and set out below the expected purchase amount of copper concentrate by the Group and sales volume of copper concentrate by the Group to Yangxin Hongsheng in FY2023, FY2024 and FY2025:

	FY2023 *approx. tonnes*	**FY2024** *approx. tonnes*	**FY2025** *approx. tonnes*
Total expected purchase amount of copper concentrate by the Group	550,000	670,000	680,000
Expected sales volume of copper concentrate by the Group to Yangxin Hongsheng	60,000	70,000	80,000

We note that the estimated sales volume of copper concentrate by the Group to Yangxin Hongsheng during the three years ending 31 December 2025 amounted to approximately 10.4% to 11.8% of the Group's total expected purchase amount of copper concentrate. We consider that the above estimated sales volume of copper concentrate by the Group to Yangxin Hongsheng do not form a majority portion of the total expected purchase amount of copper concentrate by the Group.

The Proposed Annual Caps in FY2023, FY2024 and FY2025 are approximately RMB2,336 million, RMB2,705 million and RMB3,110 million, respectively. We have interviewed with the Management and understand that the Proposed Annual Caps were determined with reference to, among others:

(i) the Proposed Annual Caps in FY2023 is primarily made with reference to (a) the historical sales amount between the Company and Yangxin Hongsheng for the ten months ended 31 October 2022 of approximately RMB340 million; (b) the estimation by the Company that the total sales amount between the Company and Yangxin Hongsheng for the year ending 31 December 2022 will reach approximately RMB740 million; and (c) the sales of raw materials such as copper concentrate for the New Copper Cathode Production Plant that is necessary for its production of copper cathode, following commencement of its operation in October 2022;

(ii) the increases in the Proposed Annual Caps in FY2024 and FY2025 as compared with FY2023 are mainly due to the gradual increase in level of operation of the New Copper Cathode Production Plant following its commencement of operation in October 2022; and

(iii) the Company has entered into letter of intents with Yangxin Hongsheng which have explicitly set out the target sales volume of certain products under the Yangxin Hongsheng Sales Framework Agreement for each of the three years ending 31 December 2025. We have obtained from the Management and reviewed the letter of intents, and understood that both parties have reached consensus on the target sales volume as stated thereunder. There will be no consequence or penalty on the Company for not reaching the target volume.

Further, we have conducted analysis on the copper price and reviewed the "World Economic Outlook Database" published by the International Monetary Fund in October 2022 (www.imf.org). According to the database, it is noted that the copper price per ton has increased from US$6,174 in 2020 to US$9,317 in 2021, and forecasted to amount to US$8,815 in 2022, US$7,913 in 2023, US$7,897 in 2024 and US$7,880 in 2025. We note that the copper prices are expected to remain relatively higher for the upcoming few years as compared with the price in 2020, and it is in line with the unit price adopted by the Company to determine the Proposed Annual Caps.

Taking into account the above factors as a whole, we are of the view that the Proposed Annual Caps are fair and reasonable.

2.4 Parent Group Purchase and Production Services Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company; and (2) the Parent Company.
Nature of transactions:	The Parent Group will: (1) supply certain products to the Group, including scrap copper, blister copper, silver, anode plates, industrial cutting gas, liquefied gas, natural gas, copper concentrate, diesel fuel, equipment, wollastonite, gold concentrate, gold and such other products as agreed by the parties from time to time; and (2) provide certain production services to the Group, including repair service, maintenance work, construction engineering, engineering labour, safe production costs, design and construction, technology research and development, processing of anode plates/anode scrap, processing of anode copper scrap, gas delivery management and maintenance, transportation, train loading and unloading, copper warehouse crane maintenance and repair, logistics maintenance services and such other production services as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on: (i) the government prescribed price; (ii) if there is no applicable government prescribed price, the Market Price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or a price determined by the internal documents of the Group developed with reference to the Market Price.

If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As at the Latest Practicable Date, prices for the supply of the relevant products and services will be determined by the parties on the following basis:

Scrap copper:	With reference to the market procurement price of scrap copper in regions such as Miluo, Hunan, Taizhou, Zhejiang and Nanhai, Guangdong as quoted on relevant copper industry web portals such as Lingtong Info website (http://www.lingtong.info/index.asp).
Blister copper:	With reference to (as applicable): (i) the market price of copper as quoted on the Shanghai Futures Exchange or the London Metal Exchange; (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange or by the London Bullion Market Association; or (iii) the market price of gold as quoted on the Shanghai Gold Exchange or by the London Bullion Market Association, and taking into account the relevant smelting and processing costs.
Silver:	With reference to the market price of silver as quoted on (i) the Shanghai Gold Exchange; (ii) the London Gold Exchange; or the fixing price and the settlement price of specific silver on the silver spot market (as applicable).
Anode plates:	With reference to (as applicable): (i) the market price of copper as quoted on the Shanghai Futures Exchange or the London Metal Exchange; (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange or by the London Bullion Market Association; or (iii) the market price of gold as quoted on the Shanghai Gold Exchange or by the London Bullion Market Association, and taking into account relevant smelting and processing costs.
Industrial cutting gas, liquefied gas:	With reference to the Market Price.

Natural gas:	With reference to the selling price of natural gas issued by the competent government price authority, currently with reference to the price of natural gas prescribed by Huangshi Price Bureau* (黃石市物價局).
Copper concentrate:	With reference to (as applicable): (i) the market price of gold as quoted on the Shanghai Gold Exchange or by the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters and taking into account relevant smelting and processing costs); (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange or by the London Bullion Market Association (adjusted with reference to the premium or discount quoted by Reuters and taking into account relevant smelting and processing costs); or (iii) the market price of copper as quoted on the Shanghai Futures Exchange or the London Metal Exchange (adjusted with reference to the premium or discount quoted by Reuters and taking into account relevant smelting and processing costs).
Diesel fuel:	With reference to the retail listing price of diesel fuel quoted by Sinopec gas station at Huangshi, Hubei.
Equipment:	With reference to the tender prices and the overall market condition. The Group will conduct tenders by invitation, inviting at least three qualified suppliers (including the Parent Group and two independent third party suppliers) to participate in the relevant tenders. Selection will be made primarily based on price offered, but consideration will also be given to the quality of products, effectiveness of communication and historical cooperation relationship with the suppliers. When actual transactions are proposed to be conducted, the price for the products will be the tender price, and adjusted (if required) with reference to the relevant market price, being the prices charged by independent third party suppliers providing similar type of products in their ordinary course of business in the same or nearby area.
Wollastonite:	With reference to annual tender prices and the overall market condition.

Gold concentrate:	With reference to the market price of gold as quoted on the Shanghai Gold Exchange.
Gold:	With reference to the market price of gold as quoted on the London Bullion Market Association or the fixing price and the settlement price of a specific gold on the gold spot market.
Repair service:	Based on the repair workload of each business unit, a lump-sum will be charged for repair services. The total repair service fee is determined with reference to the number of labour required to complete the repair service and relevant expenses including wages.
Maintenance work:	With reference to tender in accordance with the laws and regulations promulgated by the state, provincial and municipal construction administrative departments and in accordance with the relevant laws.
Construction engineering, safe production costs, design and construction:	With reference to the relevant prices prescribed by the administrative department of construction in Hubei Province.
Engineering labour services:	With reference to the relevant prices prescribed by Department of Development of Hubei Province* (湖北省建設廳) and with reference to the prevailing market price, being the price charged by independent third party suppliers providing similar type of services in their ordinary course of business in the same or nearby service area.
Technology research and development:	With reference to the cost of material consumption, equipment depreciation, testing laboratory fees, labour costs and management fees.
Processing of anode plates/anode scrap, anode copper scrap:	With reference to the market price for manufacturing consignment of anode plate/anode scrap.
Gas delivery management and maintenance:	With reference to the operating cost of provision of the service.

Transportation:	Tender-based pricing, price inquiry and price comparison. The Group will (i) carry out a centralized tender annually; and (ii) for transportation services beyond the scope of the abovementioned annual tender, carry out price inquiry and comparison. For the annual tender and the price inquiry and comparison to be conducted by the Group from time to time, the Group will invite and/or seek to solicit at least three service providers (including the Parent Group and two independent third party service providers) to participate in the tenders and/or provide price quotations if there are other appropriate service providers in the same or nearby service area available. Selection will be made primarily based on price offered, but consideration will also be given to the service levels, effectiveness of communication and historical cooperation relationship with the service providers.
Train loading and unloading:	Negotiated pricing based on market prices or by price inquiry and price comparison (including tender), depending on the actual situation. The Group will seek to solicit quotations from at least three service providers (including the Parent Group and two independent service providers) for loading and unloading services (assuming other suitable service providers can be identified in the same or adjacent service areas). Selection will be made primarily on the basis of the price offered, but will also take into account the level of service, effectiveness of communication and historical cooperation relationship with suppliers.
Copper warehouse crane maintenance and repair, logistics maintenance services:	Negotiated pricing based on market prices.

Reasons for and benefits of entering into the Parent Group Purchase and Production Services Framework Agreement

In respect of the existing continuing connected transactions, the purchase and production services framework agreement dated 22 November 2019 entered into between the Company and the Parent Company will expire on 31 December 2022. The Company intends to continue to enter into transactions of a similar nature from time to time after the expiry date. Therefore, on 22 November 2022, the Company and the Parent Company entered into the Parent Group Purchase and Production Services Framework Agreement, nature of which is similar to that of the transactions under the aforesaid purchase and production services framework agreement, for a term of three years from 1 January 2023 to 31 December 2025.

We have discussed with the Management and understand that the products and production services to be provided under the Parent Group Purchase and Production Services Framework Agreement will be important to and are necessary for the Group's business operation. Given the long-term business relationship of the Parent Group and the Group and the close geographical proximity of their respective operations, the Directors consider that the entering into of the Parent Group Purchase and Production Services Framework Agreement will allow the Group to secure a cost effective, timely and stable source of supply of those products and production services, and also to benefit from the procurement network of the Parent Company.

By entering into the Parent Group Purchase and Production Services Framework Agreement, the Parent Group will be able to act as an inter-group supplier and service provider. The Parent Group will be able to provide a better and more efficient communication with the Group, and the Group may be able to negotiate more favourable terms with the Parent Group, as compared with other suppliers and/or service providers. Further, it will allow the Group to secure a cost effective, timely and stable source of supply of those products and materials and production services, and also to benefit from the procurement network of the Parent Group, given its long-term relationship with the Parent Group and the close geographical proximity of their respective operations.

Regarding the pricing policy, we have obtained from the Company and reviewed the Group's relevant internal control manual. We note that when considering the terms of the relevant products, the Company shall primarily refer to the government-prescribed price. If such government-prescribed price is not available, the Group shall refer to the Market Price and/or quotes from other independent third parties.

We have reviewed the Parent Group Purchase and Production Services Framework Agreement and note that the basis of determining the prices for the products and production services are clearly stated thereunder, which is primarily made with reference to the relevant government-prescribed price, or the Market Price if there is no applicable government-prescribed price. We note that the Group must obtain at least two quotes from other independent third parties as part of the assessment of the Market Price. Further, the terms offered by the Parent Group to the Group must be equal to or more favourable than those offered to its other independent customers (if available). In addition, we have obtained from the Company and reviewed samples of existing contracts for the relevant products and/or services. We note that the prices of the relevant products and/or services were primarily determined with reference to the Market Price, such as the market price as quoted on the London Metal Exchange. We consider that the Company has complied with its internal control procedures and the contract prices under the samples are in line with the Company's pricing policy as described above.

In view of the aforementioned factors, we are of the view that the pricing mechanism of the products under the Parent Group Purchase and Production Services Framework Agreement is fair and reasonable.

Further, we have interviewed with the Management and understand that the directors and senior management of the Company will monitor closely and review regularly the continuing connected transactions of the Company. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to the continuing connected transactions, the independence of the Company; the fairness of the price of the transactions; the fairness of the terms of the transactions; and the right of the Company to conduct transactions with independent third parties other than the Parent Group. The relevant arrangements include: (i) the continuing connected transactions contemplated under the Parent Group Purchase and Production Services Framework Agreement are conducted on a non-exclusive basis; (ii) upon the signing of the Parent Group Purchase and Production Services Framework Agreement and its approval by the Independent Shareholders, the relevant business department of the Company will be responsible for the implementation of the Parent Group Purchase and Production Services Framework Agreement; and (iii) before the signing of each individual agreement, the finance department of the Company will evaluate the terms, including the fairness of the price, of the agreement as well as monitor the Company's existing continuing connected transactions, and review whether the Company's transactions are fair and reasonable in accordance with the terms of the Parent Group Purchase and Production Services Framework Agreement and internal control manual. As such, we are of the view that the Company has a sound risk management system to safeguard the interest of the Independent Shareholders.

In conclusion, we are of the view that entering into the Parent Group Purchase and Production Services Framework Agreement is in the interests of the Group and the Shareholders as a whole.

Proposed annual caps under the Parent Group Purchase and Production Services Framework Agreement

The table below sets out the historical figures, existing annual caps and Proposed Annual Caps for the Parent Group Purchase and Production Services Framework Agreement:

Year ended 31 December 2020		**Year ended 31 December 2021**		**Year ending 31 December 2022**		**Year ending 31 December 2023**	**Year ending 31 December 2024**	**Year ending 31 December 2025**
Annual cap	**Actual amount** *(audited)*	**Annual cap**	**Actual amount** *(audited)*	**Annual cap**	**Actual amount (up to 31 October 2022)** *(unaudited)*	**Proposed annual cap**	**Proposed annual cap**	**Proposed annual cap**
(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
2,176,535	393,998	2,567,932	164,012	3,121,564	688,790	3,009,009	3,520,887	4,116,336

We understand that the above Proposed Annual Caps have been determined with reference to the: (i) historical purchase orders placed by the Group; (ii) projected future orders based on the expected increase in the products and services required as a result of the expected growth in the business of the Group, including, among others, the commencement of operation of the New Copper Cathode Production Plant which would increase the demand for raw materials and the requisite production services; and (iii) average historical market price and the anticipated future market price for the relevant products and services.

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have obtained from the Management and reviewed the relevant calculations of the Proposed Annual Caps.

The Proposed Annual Caps in FY2023, FY2024 and FY2025 are approximately RMB3.0 billion, RMB3.5 billion and RMB4.1 billion, respectively. We have interviewed with the Management and understand that the Proposed Annual Caps were determined with reference to, among others:

(i) the Proposed Annual Caps in FY2023 is primarily made with reference to (a) the historical sales amount for the ten months ended 31 October 2022 which had reached approximately RMB0.7 billion; (b) the estimation by the Company that the total purchase amount between the Company and the Parent Group for the year ending 31 December 2022 will reach approximately RMB1.0 billion; and (c) the increase in demand of raw materials such as copper concentrate that is necessary for the production of copper cathode after taking into account the increased production capacity of the Group following commencement of operation of the New Copper Cathode Production Plant in October 2022;

(ii) the increases in the Proposed Annual Caps in FY2024 and FY2025 as compared with FY2023 are mainly due to the expected increase in demand in raw materials such as copper concentrate and scrap copper by the Group to cope with the gradual increase in level of operation of the New Copper Cathode Production Plant; and

(iii) the Company has entered into letter of intents with members of the Parent Group, which have explicitly set out the target sales volume of certain products under the Parent Group Purchase and Production Services Framework Agreement for each of the three years ending 31 December 2025. We have obtained from the Management and reviewed the letter of intents, and understood that both parties have reached consensus on the target sales volume as stated thereunder. There will be no consequence or penalty on the Company for not reaching the target volume.

Further, we have conducted analysis on the copper price and reviewed the "World Economic Outlook Database" published by the International Monetary Fund in October 2022 (www.imf.org). According to the database, it is noted that the copper price per ton has increased from US$6,174 in 2020 to US$9,317 in 2021, and forecasted to amount to US$8,815 in 2022, US$7,913 in 2023, US$7,897 in 2024 and US$7,880 in 2025. We note that the copper prices are expected to remain relatively higher for the upcoming few years as compared with the price in 2020, and it is in line with the unit price adopted by the Company to determine the Proposed Annual Caps.

Taking into account the above factors as a whole, we are of the view that the Proposed Annual Caps are fair and reasonable.

2.5 CNMC Group Purchase and Production Services Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company; and (2) CNMC.
Nature of transactions:	The CNMC Group (excluding the Parent Group and the Group) will: (1) supply certain products to the Group, including blister copper, copper concentrate, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools and such other products as agreed by the parties from time to time; and (2) provide certain production services to the Group, including maintenance, supervision, construction, mine exploration and such other production services as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on: (i) the government prescribed price; (ii) if there is no applicable government prescribed price, the Market Price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or a price determined by the internal documents of the Group developed with reference to the Market Price.

If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As at the Latest Practicable Date, prices for the supply of the relevant products and services will be determined by the parties on the following basis:

Blister copper:	With reference to (as applicable): (i) the market price of copper as quoted on the Shanghai Futures Exchange or the London Metal Exchange; (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange or by the London Bullion Market Association; or (iii) the market price of gold as quoted on the Shanghai Gold Exchange or by the London Bullion Market Association, and taking into account relevant smelting, processing and production costs.
Copper concentrate:	With reference to (as applicable): (i) the market price of copper as quoted on the Shanghai Futures Exchange, or the London Metal Exchange (adjusted with reference to the premium or discount quoted by Reuters as applicable); (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange, the Chicago Mercantile Exchange (adjusted with reference to the premium or discount quoted by Reuters) or the London Bullion Market Association; and (iii) the market price of gold as quoted on the Shanghai Gold Exchange, the Chicago Mercantile Exchange (adjusted with reference to the premium or discount quoted by Reuters) or the London Bullion Market Association, taking into account relevant smelting and processing costs.
Raw materials, auxiliary equipment, supporting materials, components, production equipment and tools:	With reference to the tender prices and the overall market condition. The Group will conduct tenders by invitation, inviting at least three qualified suppliers (including the CNMC Group (excluding the Parent Group and the Group) and two independent third party suppliers) to participate in the relevant tenders.

	Selection will be made primarily based on price offered, but consideration will also be given to the quality of products, effectiveness of communication and historical cooperation relationship with the suppliers. When actual transactions are proposed to be conducted, the price of the products will be the tender price, and adjusted (if required) with reference to the relevant market price, being the prices charged by independent third party suppliers providing similar type of products in their ordinary course of business in the same or nearby area.
Maintenance work:	With reference to the relevant prices prescribed by the Department of Housing and Urban-Rural Development of Hubei Province (湖北省住房和城鄉建設廳) and the actual tender prices.
Supervision:	With reference to (i) the results of public tender in accordance with market principles and the laws and regulations promulgated by the state, provincial and municipal construction administrative departments; (ii) the relevant prices prescribed by the Department of Housing and Urban-Rural Development of the National Development and Reform Commission (國家發展和改革委員會住房城鄉建設部) and Hubei Construction Supervision Association (湖北省建設監理協會); and (iii) other applicable PRC laws and regulations.
Construction:	With reference to the relevant prices prescribed by the administrative department of construction in Hubei Province.
Mine exploration:	With reference to the relevant budget standards prescribed by the China Geological Survey (中國地質調查局).

Reasons for and benefits of entering into the CNMC Group Purchase and Production Services Framework Agreement

In respect of the existing continuing connected transactions, the purchase and production services framework agreement dated 22 November 2019 entered into between the Company and CNMC will expire on 31 December 2022. The Company intends to continue to enter into transactions of a similar nature from time to time after the expiry date. Therefore, on 22 November 2022, the Company and CNMC entered into the CNMC Group Purchase and Production Services Framework Agreement, nature of which is similar to that of the transactions under the aforesaid purchase and production services framework agreement, for a term of three years from 1 January 2023 to 31 December 2025.

We have discussed with the Management and understand that the products and production services to be provided under the CNMC Group Purchase and Production Services Framework Agreement will be important to and are necessary for the Group's business operation. The entering into of the CNMC Group Purchase and Production Services Framework Agreement will (i) allow the Group to leverage on the vast resources of the CNMC Group (excluding the Parent Group and the Group) to obtain many of the products and production services which the Group requires for its increasing production capacity and operations; (ii) assist the Group in ensuring a cost-effective, timely and stable source of supply of products, materials and production services required for its operations; and (iii) allow the Company to further diversify its business risks through purchases of blister copper imported from a mine in Zambia, Africa, which offers an alternative, abundant and stable supply, as opposed to the supply in the PRC which is generally insufficient to adequately and promptly satisfy market demand.

By entering into the CNMC Group Purchase and Production Services Framework Agreement, the CNMC Group will be able to act as an inter-group supplier and service provider. The CNMC Group will be able to provide a better and more efficient communication with the Group, and the Group may be able to negotiate more favourable terms with the CNMC Group, as compared with other suppliers and/or service providers. Further, it will allow the Group to also benefit from the procurement network of the CNMC Group, given its long-term relationship with the CNMC Group and the close geographical proximity of their respective operations.

We have also enquired with the Management and understand that the purchase of blister copper from CNMC Group can reduce the costs of production of the Group by saving costs in transportation. Further, supply of blister copper in the PRC is generally insufficient to adequately and promptly satisfy market demand. In this regard, the Group intends to purchase (on normal commercial terms) from the CNMC Group certain blister copper that are imported from a mine in Zambia, Africa, that is operated by a subsidiary of the CNMC Group. Such mine in Zambia, Africa offers an alternative, abundant and stable supply of blister copper, and the Group intends to satisfy a portion of its demand for blister copper with such overseas purchases to diversify its business risks.

We concur with the Management that the entering into the CNMC Group Purchase and Production Services Framework Agreement will allow the Group to (i) leverage on the vast resources of the CNMC Group; (ii) obtain cost-effective, timely and stable source of supply of products, materials and production services required for its operations; and (iii) diversify its business risks through purchases of blister copper from overseas.

Regarding the pricing policy, we have obtained from the Company and reviewed the Group's relevant internal control manual. We note that when considering the terms of the relevant products and services, the Company shall primarily refer to the government-prescribed price. If such government-prescribed price is not available, the Group shall refer to the Market Price and/or quotes from other independent third parties.

We have reviewed the CNMC Group Purchase and Production Services Framework Agreement and note that the basis of determining the prices for the products and production services are clearly stated thereunder, which is primarily made with reference to the relevant government-prescribed price, or the Market Price if there is no applicable government-prescribed price. We note that the Group must obtain at least two quotes from other independent third parties as part of the assessment of the Market Price. Further, the terms offered by the CNMC Group to the Group must be equal to or more favourable than those offered to its other independent customers (if available). In addition, we have obtained from the Company and reviewed samples of existing contracts for the relevant products and/or services. We note that the prices of the relevant products and/or services were primarily determined with reference to the Market Price, such as the market price as quoted on the London Bullion Market Association and the London Metal Exchange. We consider that the Company has complied with its internal control procedures and the contract prices under the samples are in line with the Company's pricing policy as described above.

In view of the aforementioned factors, we are of the view that the pricing mechanism of the products and production services under the CNMC Group Purchase and Production Services Framework Agreement is fair and reasonable.

Further, we have interviewed with the Management and understand that the directors and senior management of the Company will monitor closely and review regularly the continuing connected transactions of the Company. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to the continuing connected transactions, the independence of the Company; the fairness of the price of the transactions; the fairness of the terms of the transactions; and the right of the Company to conduct transactions with independent third parties other than the CNMC Group. The relevant arrangements include: (i) the continuing connected transactions contemplated under the CNMC Group Purchase and Production Services Framework Agreement are conducted on a non-exclusive basis; (ii) upon the signing of the CNMC Group Purchase and Production Services Framework Agreement and its approval by the Independent Shareholders, the relevant business department of the Company will be responsible for the implementation of the CNMC Group Purchase and Production Services Framework Agreement; and (iii) before the signing of each individual agreement, the finance department of the Company will evaluate the terms, including the fairness of the price, of the agreement as well as monitor the Company's existing continuing connected transactions, and review whether the Company's transactions are fair and reasonable in accordance with the terms of the CNMC Group Purchase and Production Services Framework Agreement and internal control manual. As such, we are of the view that the Company has a sound risk management system to safeguard the interest of the Independent Shareholders.

In conclusion, we are of the view that entering into the CNMC Group Purchase and Production Services Framework Agreement is in the interests of the Group and the Shareholders as a whole.

Proposed annual caps for the CNMC Group Purchase and Production Services Framework Agreement

The table below sets out the historical figures, existing annual caps and Proposed Annual Caps for the CNMC Group Purchase and Production Services Framework Agreement:

Year ended 31 December 2020		Year ended 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
Annual cap	Actual amount *(audited)*	Annual cap	Actual amount *(audited)*	Annual cap	Actual amount (up to 31 October 2022) *(unaudited)*	Proposed annual cap	Proposed annual cap	Proposed annual cap
(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
4,629,225	919,065	3,780,591	2,405,745	4,140,206	2,919,280	6,355,823	6,663,945	7,462,154

We understand that the above Proposed Annual Caps have been determined with reference to the: (i) historical purchase orders placed by the Group; (ii) projected future orders based on the expected increase in the products and services required as a result of the expected growth in the business of the Group; and (iii) the average historical market price and the anticipated future market price for the relevant products and services.

The increase in the Proposed Annual Caps for the CNMC Group Purchase and Production Services Framework Agreement as compared with the existing annual caps is primarily due to the expected increase in demand for raw materials such as blister copper and copper concentrate from the Group as a result of the New Copper Cathode Production Plant, which has been put into heat on-load trial run since October 2022 and is expected to reach production capacity and standard in 2024.

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have obtained from the Management and reviewed the relevant calculations of the Proposed Annual Caps.

The Proposed Annual Caps in FY2023, FY2024 and FY2025 are approximately RMB6.4 billion, RMB6.7 billion and RMB7.5 billion, respectively. We have interviewed with the Management and understand that the Proposed Annual Caps were determined with reference to, among others:

(i) the Proposed Annual Caps in FY2023 is primarily made with reference to (a) the growth trend in the historical purchase amount between the Company and the CNMC Group during the past two to three years. The historical purchase amount for the two years ended 31 December 2021 and the ten months ended 31 October 2022 had been increasing from approximately RMB0.9 billion to RMB2.4 billion and RMB2.9 billion, respectively; (b) the estimation by the Company that the total purchase amount between the Company and the CNMC Group for the year ending 31 December 2022 will reach up to approximately RMB4.0 billion; and (c) the increase in demand of raw materials such as copper concentrate and copper anode plates that are necessary for the production of copper cathode after taking into account the increased production capacity of the Group following commencement of operation of the New Copper Cathode Production Plant in October 2022;

(ii) the increases in the Proposed Annual Caps in FY2024 and FY2025 as compared with FY2023 are mainly due to the expected increase in demand in raw materials by the Group to cope with the gradual increase in level of operation of the New Copper Cathode Production Plant; and

(iii) the Company has entered into letter of intents with members of the CNMC Group, which have explicitly set out the target sales volume of certain products under the CNMC Group Purchase and Production Services Framework Agreement for each of the three years ending 31 December 2025. We have obtained from the Management and reviewed the letter of intents, and understood that both parties have reached consensus on the target sales volume as stated thereunder. There will be no consequence or penalty on the Company for not reaching the target volume.

Further, we have conducted analysis on the copper price and reviewed the "World Economic Outlook Database" published by the International Monetary Fund in October 2022 (www.imf.org). According to the database, it is noted that the copper price per ton has increased from US$6,174 in 2020 to US$9,317 in 2021, and forecasted to amount to US$8,815 in 2022, US$7,913 in 2023, US$7,897 in 2024 and US$7,880 in 2025. We note that the copper prices are expected to remain relatively higher for the upcoming few years as compared with the price in 2020, and it is in line with the unit price adopted by the Company to determine the Proposed Annual Caps.

Taking into account the above factors as a whole, we are of the view that the Proposed Annual Caps are fair and reasonable.

2.6 Yangxin Hongsheng Purchase Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company; and
	(2) Yangxin Hongsheng.

Nature of transactions:	Yangxin Hongsheng will supply certain products to the Group, including copper concentrate, anode scrap, anode mud and such other products as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on (i) the Market Price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or (ii) a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As at the Latest Practicable Date, prices for the supply of the relevant products and services will be determined by the parties on the following basis:

Copper concentrate:	With reference to (as applicable): (i) the market price of copper as quoted on the London Metal Exchange; (ii) the market price of silver as quoted on the London Bullion Market Association; or (iii) the market price of gold as quoted on the London Bullion Market Association, adjusted with reference to the premium or discount quoted by Reuters, taking into account relevant smelting and processing costs.
Anode scrap:	With reference to the daily weighted average price or instant trading price of copper as quoted on the Shanghai Futures Exchange for the current month or the following month, taking into account relevant processing costs of blister copper of the purchaser as agreed under contract for the same period.

Anode mud:	With reference to (as applicable): (i) the market price of copper as quoted on the Shanghai Futures Exchange; (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange; or (iii) the market price of gold as quoted on the Shanghai Gold Exchange, and taking into account the corresponding grades of copper, silver or gold respectively.

Reasons for and benefits of entering into the Yangxin Hongsheng Purchase Framework Agreement

Yangxin Hongsheng adopts a "double flash" process in production (a combination of flash smelting and flash converting), which requires imported copper concentrates with higher purity. Due to the differences in the requirements of the level of purity of copper concentrates required as raw materials for the production of the Company and New Copper Cathode Production Plant of Yangxin Hongsheng, imported copper concentrates with lower purity which are not suitable for Yangxin Hongsheng's production may be accepted by the Company to be used in its production. On the other hand, the Company can also serve as a back-up source of supply of copper concentrates to Yangxin Hongsheng. The Company may resell copper concentrates with higher purity that satisfy Yangxin Hongsheng's requirements to Yangxin Hongsheng. In addition, as the delivery cycle of imported copper concentrates is generally long, depending on the production situation and the inventory level of the Company and Yangxin Hongsheng, the party with higher level of inventory may sell the copper concentrates to the other party to facilitate production, maximizing the efficiency of production and utilization of inventory of both the Company and Yangxin Hongsheng.

We have discussed with the Management and understand that (i) Yangxin Hongsheng will be able to act as an intra-group supplier that provides a better and more efficient communication with the Group, and the Group may be able to negotiate more favourable terms with Yangxin Hongsheng, as compared with other suppliers, to obtain the copper concentrate, anode scrap and anode mud which the Group requires for its production and operations; and (ii) given the intra-group relationship between the Group and Yangxin Hongsheng and the close geographical proximity of their respective operations, the Directors consider that the entering into of the Yangxin Hongsheng Purchase Framework Agreement will allow the Group to secure a cost effective, timely and stable source of supply of those products.

Regarding the pricing policy, we have obtained from the Company and reviewed the Group's relevant internal control manual. We note that when considering the terms of the relevant products, the Company shall primarily refer to the government-prescribed price. If such government-prescribed price is not available, the Group shall refer to the Market Price and/or quotes from other independent third parties.

We have reviewed the Yangxin Hongsheng Purchase Framework Agreement and note that the basis of determining the prices for the products are clearly stated thereunder, which is primarily made with reference to the relevant government-prescribed price, or the Market Price if there is no applicable government-prescribed price. We note that the Group must obtain at least two quotes from other independent third parties as part of the assessment of the Market Price. Further, the terms offered by Yangxin Hongsheng to the Group must be equal to or more favourable than those offered to its other independent customers (if available). In addition, we have obtained from the Company and reviewed samples of existing contracts for the relevant products. We note that the prices of the relevant products were primarily determined with reference to the Market Price, such as the market price as quoted on the London Bullion Market Association and the London Metal Exchange. We consider that the Company has complied with its internal control procedures and the contract prices under the samples are in line with the Company's pricing policy as described above.

In view of the aforementioned factors, we are of the view that the pricing mechanism of the products under the Yangxin Hongsheng Purchase Framework Agreement is fair and reasonable.

Further, we have interviewed with the Management and understand that the directors and senior management of the Company will monitor closely and review regularly the continuing connected transactions of the Company. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to the continuing connected transactions, the independence of the Company; the fairness of the price of the transactions; the fairness of the terms of the transactions; and the right of the Company to conduct transactions with independent third parties other than Yangxin Hongsheng. The relevant arrangements include: (i) the continuing connected transactions contemplated under the Yangxin Hongsheng Purchase Framework Agreement are conducted on a non-exclusive basis; (ii) upon the signing of the Yangxin Hongsheng Purchase Framework Agreement and its approval by the Independent Shareholders, the relevant business department of the Company will be responsible for the implementation of the Yangxin Hongsheng Purchase Framework Agreement; and (iii) before the signing of each individual agreement, the finance department of the Company will evaluate the terms, including the fairness of the price, of the agreement as well as monitor the Company's existing continuing connected transactions, and review whether the Company's transactions are fair and reasonable in accordance with the terms of the Yangxin Hongsheng Purchase Framework Agreement and internal control manual. As such, we are of the view that the Company has a sound risk management system to safeguard the interest of the Independent Shareholders.

In conclusion, we are of the view that entering into the Yangxin Hongsheng Purchase Framework Agreement is in the interests of the Group and the Shareholders as a whole.

Proposed annual caps under the Yangxin Hongsheng Purchase Framework Agreement

The table below sets out the Proposed Annual Caps for the Yangxin Hongsheng Purchase Framework Agreement:

Year ending 31 December 2023 Proposed annual cap *(RMB'000)*	Year ending 31 December 2024 Proposed annual cap *(RMB'000)*	Year ending 31 December 2025 Proposed annual cap *(RMB'000)*
6,361,260	5,648,529	6,054,002

We understand that the above Proposed Annual Caps have been determined with reference to the: (i) historical purchase orders placed by the Group with other suppliers for the relevant products; (ii) projected future orders based on the expected increase in the products required as a result of the expected growth in the business of the Group; and (iii) average historical market price and the anticipated future market price for the relevant products.

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have obtained from the Management and reviewed the relevant calculations of the Proposed Annual Caps.

The Proposed Annual Caps in FY2023, FY2024 and FY2025 are approximately RMB6.4 billion, RMB5.6 billion and RMB6.1 billion, respectively. We have interviewed with the Management and understand that the Proposed Annual Caps were determined with reference to, among others:

(i) the Proposed Annual Caps in FY2023 is primarily made with reference to (a) the purchase contract entered into between the Company and Yangxin Hongsheng in October 2022 with the contract amount of approximately RMB0.35 billion; (b) the estimation by the Company that the total purchase amount between the Company and Yangxin Hongsheng for the year ending 31 December 2022 will reach approximately RMB0.97 billion; (c) Yangxin Hongsheng does not have the ability to process anode mud (which is an intermediate product). Therefore, it is intended for the anode mud as produced by Yangxin Hongsheng to be sold to other members of the Group for processing. Based on the estimation on the amount and price of anode mud and the production capacity of Yangxin Hongsheng, it is expected that the total purchase amount by the Group for the anode mud will amount to approximately RMB2.8 billion to RMB2.9 billion for each of the three years ending 31 December 2025; (d) Yangxin Hongsheng's own smelting furnace for the anode scrap (which is an intermediate product) is expected to be ready for operation in around June 2023. The anode scrap as produced by Yangxin Hongsheng before June 2023 will be sold to other members of the Group for processing. Based on the estimation on the amount and price of anode scrap and the production capacity of

Yangxin Hongsheng, it is expected that the total purchase amount by the Group for the anode scrap will amount to approximately RMB1.2 billion for FY2023. Once Yangxin Hongsheng's own smelting furnace for the anode scrap is ready for operation, the anode scrap as produced by Yangxin Hongsheng will be processed by itself thereafter; and (e) the increase in procurement of raw materials such as copper concentrate following commencement of operation of the New Copper Cathode Production Plant in October 2022;

(ii) the slight decreases in the Proposed Annual Caps in FY2024 and FY2025 as compared with FY2023 are mainly due to (a) the anode scrap as produced by Yangxin Hongsheng will be processed by itself and no longer required to be sold to other members of the Group for processing once Yangxin Hongsheng's own smelting furnace for the anode scrap is ready for operation in June 2023; and (b) the gradual increase in level of operation of the New Copper Cathode Production Plant following its commencement of operation in October 2022; and

(iii) the Company has entered into letter of intents with Yangxin Hongsheng, which have explicitly set out the target sales volume of certain products under Yangxin Hongsheng Purchase Framework Agreement for each of the three years ending 31 December 2025. We have obtained from the Management and reviewed the letter of intents, and understood that both parties have reached consensus on the target sales volume as stated thereunder. There will be no consequence or penalty on the Company for not reaching the target volume.

Further, we have conducted analysis on the copper price and reviewed the "World Economic Outlook Database" published by the International Monetary Fund in October 2022 (www.imf.org). According to the database, it is noted that the copper price per ton has increased from US$6,174 in 2020 to US$9,317 in 2021, and forecasted to amount to US$8,815 in 2022, US$7,913 in 2023, US$7,897 in 2024 and US$7,880 in 2025. We note that the copper prices are expected to remain relatively higher for the upcoming few years as compared with the price in 2020, and it is in line with the unit price adopted by the Company to determine the Proposed Annual Caps.

Taking into account the above factors as a whole, we are of the view that the Proposed Annual Caps are fair and reasonable.

2.7 Parent Group Combined Ancillary Services Framework Agreement

Date:	22 November 2022
Parties:	(1) the Company; and
	(2) the Parent Company.

Nature of transactions:	The Parent Group will provide certain services to the Group, including advertising, steel cylinder repair, gas delivery management, waste disposal, green conservation, vehicle rental, property management, bathhouse, food and beverage and accommodation, logistics service, mineral water, seedling, telecommunication and repair, water, electricity, telephone charges, property repair, training and staff training, materials and such other services as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the Market Price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure, or a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As at the Latest Practicable Date, prices for the provision of the relevant services will be determined by the parties on the following basis:

Advertising:	With reference to the relevant prices of municipal-level media.
Steel cylinder repair, gas delivery management, waste disposal, green conservation, vehicle rental, property management, bathhouse, food and beverage and accommodation and logistics service:	With reference to the operating cost of provision of the service(s). In this regard, the prices for the provision of the relevant services will be determined with reference to the existing operating cost of the relevant services incurred by the suppliers currently engaged by the Group (including but not limited to the Parent Group) and the fees charged by other independent third party suppliers for the provision of similar service(s) in the same or nearby service area.
Mineral water and seedling:	For mineral water, with reference to the procurement cost, transportation and handling cost and the overall market condition. For seedling, with reference to the landscaping project consumption rate estimate norm and unified basic pricing schedule issued by the government, and the landscaping expenses to be spent by related parties, and currently with reference to the norm and pricing schedule issued by Hubei provincial government. The price shall be adjusted accordingly in case of adjustment in the government guidance price.
Telecommunication and repair:	With reference to the relevant prices prescribed by Hubei Communications Administration (湖北省通信管理局).
Water:	With reference to the price guidance documents issued by the competent government authority, and currently with reference to the price of water prescribed by Huangshi Price Bureau* (黃石市物價局). The price of water supply shall be adjusted accordingly in case of adjustment in the government pricing.

Electricity:	With reference to the price guidance documents issued by the competent government authority, and currently with reference to the price of electricity prescribed by Hubei Province Price Bureau (湖北省物價局) and internal documents. The selling price of electricity shall be adjusted accordingly in case of adjustment in the government pricing.
Telephone charges:	With reference to the relevant prices prescribed by Hubei Communications Administration (湖北省通信管理局).
Property repair:	With reference to the building and installation project rate estimate norm, currently with reference to the relevant prices prescribed by Department of Development of Hubei Province* (湖北省建設廳). The price shall be adjusted accordingly in case of adjustment in the government guidance price.
Training and staff training:	With reference to the relevant standards prescribed under the internal document of the Parent Company regarding employee training fees management, which are determined based on the remuneration of the instructors and examination supervisors, costs on preparation of training materials and examination questions, and other relevant costs incurred in providing the training. The abovementioned internal document of the Parent Company stipulates, amongst other things, the standard hourly rates of the trainers (which range from approximately RMB30 per hour to RMB500 per hour according to their relevant experience) and their remuneration on preparation of training materials and examination questions (which ranges from RMB10 to RMB60 per a thousand words and RMB100 per subject).
Materials:	For self-produced materials, with reference to product costs, the transportation cost, loading/unloading cost and the overall market condition. For outsourcing materials, with reference to the purchase price, transportation cost, loading/unloading cost and the overall market condition.

Reasons for and benefits of entering into the Parent Group Combined Ancillary Services Framework Agreement

In respect of the existing continuing connected transactions, the combined ancillary services framework agreement dated 22 November 2019 entered into between the Company and the Parent Company will expire on 31 December 2022. The Company intends to continue to enter into transactions of a similar nature from time to time after the expiry date. Therefore, on 22 November 2022, the Company and the Parent Company entered into the Parent Group Combined Ancillary Services Framework Agreement, nature of which is similar to that of the transactions under the aforesaid combined ancillary services framework agreement, for a term of three years from 1 January 2023 to 31 December 2025.

The Group currently does not have the capability of providing the ancillary services set out in the Parent Group Combined Ancillary Services Framework Agreement. The Parent Group Combined Ancillary Services Framework Agreement will allow the Group to obtain the use of a wide range of support services that it or its employees will require on a day-to-day basis. The provision of such services to the Group will allow the Group to concentrate its resources on its core production operations.

Pursuant to the Parent Group Combined Ancillary Services Framework Agreement, the Parent Group will provide the Group with certain ancillary services that are necessary for the Group's business operation, including steel cylinder inspection and repair, gas delivery management, waste disposal, green conservation, vehicle rental, property management, food and beverage and accommodation, logistics service, mineral water, seedling, telecommunication and repair, water, electricity, telephone charges, property repair, training and such other services as agreed by the parties from time to time.

By entering into the Parent Group Combined Ancillary Services Framework Agreement, the Parent Group will be able to act as an inter-group service provider. The Parent Group will be able to provide a better and more efficient communication with the Group, and the Group may be able to negotiate more favourable terms with the Parent Group, as compared with other suppliers and/or service providers.

Regarding the pricing policy, we have obtained from the Company and reviewed the Group's relevant internal control manual. We note that when considering the terms of the relevant services, the Company shall primarily refer to the government-prescribed price. If such government-prescribed price is not available, the Group shall refer to the Market Price and/or quotes from other independent third parties.

We have reviewed the Parent Group Combined Ancillary Services Framework Agreement and note that the basis of determining the prices for the services are clearly stated thereunder, which is primarily made with reference to the relevant government-prescribed price, or the Market Price if there is no applicable government-prescribed price. We note that the Group must obtain at least two quotes from other independent third parties as part of the assessment of the Market Price. Further, the terms offered by the Parent Group to the Group must be equal to or more favourable than those offered to its other independent customers (if available). In addition, we have obtained from the Company and reviewed samples of existing contracts for the relevant services. We note that the prices of the relevant services were primarily determined with reference to the government-prescribed price, such as the prices as prescribed by Huangshi Price Bureau* (黃石市物價局) and Hubei Province Price Bureau (湖北省物價局). We consider that the Company has complied with its internal control procedures and the contract prices under the samples are in line with the Company's pricing policy as described above.

In view of the aforementioned factors, we are of the view that the pricing mechanism of the services under the Parent Group Combined Ancillary Services Framework Agreement is fair and reasonable.

Further, we have interviewed with the Management and understand that the directors and senior management of the Company will monitor closely and review regularly the continuing connected transactions of the Company. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to the continuing connected transactions, the independence of the Company; the fairness of the price of the transactions; the fairness of the terms of the transactions; and the right of the Company to conduct transactions with independent third parties other than the Parent Group. The relevant arrangements include: (i) the continuing connected transactions contemplated under the Parent Group Combined Ancillary Services Framework Agreement are conducted on a non-exclusive basis; (ii) upon the signing of the Parent Group Combined Ancillary Services Framework Agreement and its approval by the Independent Shareholders, the relevant business department of the Company will be responsible for the implementation of the Parent Group Combined Ancillary Services Framework Agreement; and (iii) before the signing of each individual agreement, the finance department of the Company will evaluate the terms, including the fairness of the price, of the agreement as well as monitor the Company's existing continuing connected transactions, and review whether the Company's transactions are fair and reasonable in accordance with the terms of the Parent Group Combined Ancillary Services Framework Agreement and internal control manual. As such, we are of the view that the Company has a sound risk management system to safeguard the interest of the Independent Shareholders.

In conclusion, we are of the view that entering into the Parent Group Combined Ancillary Services Framework Agreement is in the interests of the Group and the Shareholders as a whole.

Proposed annual caps under the Parent Group Combined Ancillary Services Framework Agreement

The table below sets out the historical figures, existing annual caps and Proposed Annual Caps for the Parent Group Combined Ancillary Services Framework Agreement:

Year ended 31 December 2020		Year ended 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
Annual cap	Actual amount *(audited)*	Annual cap	Actual amount *(audited)*	Annual cap	Actual amount (up to 31 October 2022) *(unaudited)*	Proposed annual cap	Proposed annual cap	Proposed annual cap
(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
379,020	331,713	385,323	306,130	391,613	310,070	357,799	430,072	400,607

We understand that the above Proposed Annual Caps have been determined with reference to: (i) the historical amounts paid by the Group to the Parent Group for similar ancillary services; (ii) the projected future orders based on the expected increase in the services to be provided during the three years ending 31 December 2025; and (iii) the average historical market price for the relevant services and the anticipated future market price for the relevant products and services.

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have obtained from the Management and reviewed the relevant calculations of the Proposed Annual Caps.

The Proposed Annual Caps in FY2023, FY2024 and FY2025 are approximately RMB358 million, RMB430 million and RMB401 million, respectively. We have interviewed with the Management and understand that the Proposed Annual Caps were determined with reference to, among others:

(i) the Proposed Annual Caps in FY2023 is primarily made with reference to (a) the historical purchase amount between the Company and the Parent Group during the two years ended 31 December 2021 which had reached as high as approximately RMB331 million; and (b) the purchase amount for the ten months ended 31 October 2022 has reached approximately RMB310 million. It is estimated by the Company that the total purchase amount for the year ending 31 December 2022 will reach approximately RMB370 million; and

(ii) it is expected that the Group's smelting plant will (a) conduct certain maintenance and repairing works for around four months in FY2023; (b) fully operate in FY2024; and (c) conduct certain maintenance and repairing works for around one month in FY2025. The maintenance and repairing works for the Group's smelting plant(s) during FY2023 and FY2025 are expected to mildly affect the demand of the related ancillary services (such as electricity consumption) which are necessary for the Group's business operations. We concur with the Management that the maintenance and repairing works will cause a corresponding decrease in the amount of ancillary services required by the Group for its business operations.

Taking into account the above factors as a whole, we are of the view that the Proposed Annual Caps are fair and reasonable.

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that the Non-Exempt Continuing Connected Transactions (including the Proposed Annual Caps) are (i) entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Amasse Capital Limited
Keith Chan
Associate Director

Mr. Keith Chan is a licensed person registered with the Securities and Future Commission of Hong Kong and regarded as a responsible officer of Amasse Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 7 years of experience in corporate finance industry.

In the case of inconsistency, the English text of this letter shall prevail over the Chinese text.

* *for identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the financial information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes to the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the three years ended 31 December 2019, 2020 and 2021 respectively and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hk661.com):

(i) annual report of the Company for the year ended 31 December 2019 published on 15 May 2020 (pages 73 to 171)
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051502373.pdf

(ii) annual report of the Company for the year ended 31 December 2020 published on 23 April 2021 (pages 67 to 159)
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042301257.pdf

(iii) annual report of the Company for the year ended 31 December 2021 published on 25 April 2022 (pages 74 to 167)
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042500919.pdf

(iv) interim report of the Company for the six months ended 30 June 2022 published on 22 September 2022 (pages 20 to 55)
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0922/2022092200559.pdf

2. FINANCIAL AND TRADING PROSPECTS

The Group focused on work objectives throughout the year, which include improvement of technical and economic indices, orderly progression of mines replacement and further expansion into the circular economy industry. The Group has been striving to enhance the quality of its business development by aligning with the market expectations and implementing comprehensive in-depth reforms. The Group will focus on the main subject of "enhancing production, improving indices, reducing costs and expanding market" with pragmatic and cautious attitude in a continuous and proactive effort to align with the market mechanism.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

4. FURTHER INFORMATION

Pursuant to the major transaction requirements under Chapter 14 of the Listing Rules, the Company is required to include in this circular (a) a statement of indebtedness of the Group and (b) a statement of working capital sufficiency of the Group made by the Directors.

The Directors are of the view that strict compliance with the requirements of indebtedness and working capital statements would require substantial extra costs and manpower, which would be detrimental to the interests of the Company.

As a long period of time is required to prepare the indebtedness and working capital statements, the time of holding the SGM would be delayed. The relevant Non-Exempt Continuing Connected Transactions would very likely have to be halted in order to comply with the Listing Rules before the Company could obtain Shareholders' approval at the SGM. This would severely affect the operation, procurement, production and sales plans of the Group, and may lead to suspension of production and procurement. The halt and the resumption of operation of smelting plants would cause wear and tear and shorten the life-span of the smelting plants. Suspension of production and procurement would also lead to breach of contract(s) by the Group, which may imposes liabilities for compensation and reputational damage to the Group and is not in the best interests of the Company and the Shareholders as a whole.

Further, the Directors are of the view that the state of indebtedness and sufficiency of working capital of the Group would not be adversely affected by the deposit services to be provided under the CNMC Financial Services Framework Agreement since the deposit services involve only the placing of cash deposits by the Group and would not constitute borrowings. The indebtedness and working capital statements are thus not material for an assessment of the deposit services by the Shareholders. As stated in "*Letter from the Board – II. Major Transaction and Continuing Connected Transactions – 1. CNMC Financial Services Framework Agreement*", adequate measures are also included in the CNMC Financial Services Framework Agreement to protect the interests of the Company and the Shareholders.

Taking into account the reasons mentioned above, the Company has applied for and the Stock Exchange has granted a waiver from compliance with the requirements under Rule 14.66(10) of the Listing Rules to include in this circular (a) a statement of indebtedness of the Group and (b) a statement of working capital sufficiency of the Group made by the Directors.

The information with respect to the solvency and capital adequacy of the Group by providing the deposit services under the CNMC Financial Services Framework Agreement is alternatively disclosed as follows:

(a) Indebtedness

The deposit services to be provided under the CNMC Financial Services Framework Agreement would not increase the indebtedness of the Group, and the amount of indebtedness of the Group as at 30 June 2022 has been disclosed in the interim report of the Company for the six months ended 30 June 2022.

(b) Working capital

The deposit services to be provided under the CNMC Financial Services Framework Agreement will not have adverse effect towards the sufficiency of working capital of the Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, were as follows:

Name of Director	Capacity	Nature of Interest	Number of Shares	Percentage of issued Shares *(%) (Note 3)*
Wang Qihong	Beneficial owner	Personal	594,000 (L)	0.00
	Interest of spouse	Personal	1,000,000 (L) *(Note 2)*	0.01
Wang Guoqi	Beneficial owner	Personal	600,000 (L)	0.00

Notes:

1. The letter "L" denotes a long position in the Shares.

2. Mr. Wang Qihong is deemed to be interested in 1,000,000 shares through the interests of his spouse, Ms. Geng Shuang, pursuant to Part XV of the SFO.

3. The shareholding percentage was calculated based on 17,895,579,706 Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

As at the Latest Practicable Date, Mr. Long Zhong Sheng was a director of China Times and an employee of the Parent Company. Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors was a director or an employee of a company which had an interest or short position in the Company's shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up.

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors was materially interested in any contracts or arrangements subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against any members of the Group.

8. MATERIAL CONTRACT

The Group has not entered into any material contract (not being contracts entered into in the ordinary course of business of the Group) within the two years immediately preceding the date of this circular.

9. QUALIFICATIONS OF EXPERT AND CONSENT

The following is the qualification of the professional adviser who has given its opinion or advice which is contained in this circular:

Name	Qualification
Amasse Capital Limited	a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had given and had not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter of advice dated 23 December 2022 in connection with their advice to the Independent Board Committee and the Independent Shareholders, and references to its name and/or its advice in the form and context in which they appeared.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interests in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10. MISCELLANEOUS

(i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is Room 1, 11/F, China United Plaza, 1008 Tai Nan West Street, Kowloon, Hong Kong.

(ii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(iii) The company secretary of the Company is Mr. Wong Yat Tung, who holds a Degree in Quantitative Analysis for Business from City University of Hong Kong and Master of Corporate Governance from the Hong Kong Polytechnic University. He is an Associate of The Hong Kong Chartered Governance Institute and an Associate of The Chartered Governance Institute in the United Kingdom.

(iv) This circular is in both English and Chinese. If there is any inconsistency, the English text shall prevail.

11. DOCUMENTS ON DISPLAY

Copies of the following documents are on display and are published on the website of the Stock Exchange (www.hkexnews.com) and the website of the Company (www.hk661.com) for a period of 14 days from the date of this circular:

(a) the Parent Group Sales Framework Agreement;

(b) the Yangxin Hongsheng Sales Framework Agreement;

(c) the Parent Group Purchase and Production Services Framework Agreement;

(d) the CNMC Group Purchase and Production Services Framework Agreement;

(e) the Yangxin Hongsheng Purchase Framework Agreement;

(f) the Parent Group Combined Ancillary Services Framework Agreement;

(g) the CNMC Financial Services Framework Agreement;

(h) the letter from the Independent Board Committee, the text of which is set out in this circular;

(i) the letter from the Independent Financial Adviser, the text of which is set out in this circular; and

(j) the written consent from the Independent Financial Adviser referred to in the paragraph headed "9. Qualifications of Expert and Consent" in this appendix.

中國大冶有色金屬礦業有限公司
China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 00661)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of China Daye Non-Ferrous Metals Mining Limited (the "**Company**") will be held at Function Room 4 & 6, 3/F, The Mira Hong Kong, Mira Place, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 11 January 2023 at 10:00 a.m. (or at any adjournment thereof) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 23 December 2022.

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the CNMC Financial Services Framework Agreement dated 22 November 2022 entered into between the Company and CNMC be and is hereby approved, confirmed and ratified; and

   (b) the Proposed Annual Caps for the deposit services to be provided by the CNMC Group to the Group under the CNMC Financial Services Framework Agreement in the amounts of RMB2,697,750,000, RMB2,827,221,000 and RMB2,929,468,000 for each of the three years ending 31 December 2023, 2024 and 2025, respectively, and the transactions contemplated thereunder be and are hereby approved; and

   (c) the Proposed Annual Caps for the bills acceptance and settlement and foreign exchange settlement and sales services to be provided by the CNMC Group to the Group under the CNMC Financial Services Framework Agreement in the amounts of RMB8,286,025,000, RMB8,288,625,000 and RMB8,288,625,000 for each of the three years ending 31 December 2023, 2024 and 2025, respectively, and the transactions contemplated thereunder be and are hereby approved; and

(d) any one Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to take all steps necessary and expedient to implement and/or give effect to the CNMC Financial Services Framework Agreement."

2. "**THAT**:

(a) the Parent Group Sales Framework Agreement dated 22 November 2022 entered into between the Company and the Parent Company be and is hereby approved, confirmed and ratified; and

(b) the Proposed Annual Caps for the Parent Group Sales Framework Agreement in the amounts of RMB14,849,212,000, RMB22,793,246,000 and RMB23,515,155,000 for each of the three years ending 31 December 2023, 2024 and 2025, respectively, and the transactions contemplated thereunder be and are hereby approved; and

(c) any one Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to take all steps necessary and expedient to implement and/or give effect to the Parent Group Sales Framework Agreement."

3. "**THAT**:

(a) the Yangxin Hongsheng Sales Framework Agreement dated 22 November 2022 entered into between the Company and Yangxin Hongsheng be and is hereby approved, confirmed and ratified; and

(b) the Proposed Annual Caps for the Yangxin Hongsheng Sales Framework Agreement in the amounts of RMB2,336,214,000, RMB2,704,630,000 and RMB3,110,003,000 for each of the three years ending 31 December 2023, 2024 and 2025, respectively, and the transactions contemplated thereunder be and are hereby approved; and

(c) any one Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to take all steps necessary and expedient to implement and/or give effect to the Yangxin Hongsheng Sales Framework Agreement."

4. "**THAT**:

(a) the Parent Group Purchase and Production Services Framework Agreement dated 22 November 2022 entered into between the Company and the Parent Company be and is hereby approved, confirmed and ratified; and

(b) the Proposed Annual Caps for the Parent Group Purchase and Production Services Framework Agreement in the amounts of RMB3,009,009,000, RMB3,520,887,000 and RMB4,116,336,000 for each of the three years ending 31 December 2023, 2024 and 2025, respectively, and the transactions contemplated thereunder be and are hereby approved; and

(c) any one Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to take all steps necessary and expedient to implement and/or give effect to the Parent Group Purchase and Production Services Framework Agreement."

5. "**THAT**:

(a) the CNMC Group Purchase and Production Services Framework Agreement dated 22 November 2022 entered into between the Company and CNMC be and is hereby approved, confirmed and ratified; and

(b) the Proposed Annual Caps for the CNMC Group Purchase and Production Services Framework Agreement in the amounts of RMB6,355,823,000, RMB6,663,945,000 and RMB7,462,154,000 for each of the three years ending 31 December 2023, 2024 and 2025, respectively, and the transactions contemplated thereunder be and are hereby approved; and

(c) any one Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to take all steps necessary and expedient to implement and/or give effect to the CNMC Group Purchase and Production Services Framework Agreement."

6. "**THAT**:

(a) the Yangxin Hongsheng Purchase Framework Agreement dated 22 November 2022 entered into between the Company and Yangxin Hongsheng be and is hereby approved, confirmed and ratified; and

(b) the Proposed Annual Caps for the Yangxin Hongsheng Purchase Framework Agreement in the amounts of RMB6,361,261,000, RMB5,648,630,000 and RMB6,054,003,000 for each of the three years ending 31 December 2023, 2024 and 2025, respectively, and the transactions contemplated thereunder be and are hereby approved; and

(c) any one Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to take all steps necessary and expedient to implement and/or give effect to the Yangxin Hongsheng Purchase Framework Agreement."

7. "**THAT**:

(a) the Parent Group Combined Ancillary Services Framework Agreement dated 22 November 2022 entered into between the Company and the Parent Company be and is hereby approved, confirmed and ratified; and

(b) the Proposed Annual Caps for the Parent Group Combined Ancillary Services Framework Agreement in the amounts of RMB357,799,000, RMB430,072,000 and RMB400,607,000 for each of the three years ending 31 December 2023, 2024 and 2025, respectively, and the transactions contemplated thereunder be and are hereby approved; and

(c) any one Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to take all steps necessary and expedient to implement and/or give effect to the Parent Group Combined Ancillary Services Framework Agreement."

By order of the Board of
China Daye Non-Ferrous Metals Mining Limited
Xiao Shuxin
Chairman

Hong Kong, 23 December 2022

Notes:

1. For more information relating to the abovementioned resolutions, please refer to announcement of the Company dated 22 November 2022 and the circular of the Company dated 23 December 2022.

2. The resolutions at the SGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

3. The record date for determining Shareholders' right to attend and vote at the SGM is Thursday, 5 January 2023. In order to qualify for attending and voting at the said meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration, no later than 4:30 p.m. on Thursday, 5 January 2023.

4. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. A member who is the holder of two or more ordinary shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

5. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the SGM and, in such event, the form of proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES OF THE RISK OF COVID-19 FOR SPECIAL GENERAL MEETING

In consideration of the continuing risk posed by the 2019 coronavirus disease (COVID-19) and to manage the potential health risks of persons attending the Special General Meeting, the Company will implement the following precautionary measures at the Special General Meeting:–

(1) Attendees may need to confirm that (i) he/she has not travelled outside of Hong Kong within 21 days immediately before the Special General Meeting ("**Recent Travel History**"); (ii) he/she is not subject to any HKSAR Government prescribed quarantine requirement; (iii) to his/her knowledge, he/she has not, within 21 days immediately before the Special General Meeting, had close contact with any person under quarantine or with Recent Travel History; and (iv) he/she has no flu-like symptoms. Any person who fails to provide the required confirmation, or if he/she has shown flu-like symptoms, may be requested to leave or denied entry into the Special General Meeting venue.

(2) No food and beverage service will be provided and there will be no handing out of gift coupons or souvenirs.

(3) Only a limited number of seats will be available, with no standing arrangement, in the Special General Meeting venue in order to ensure social distancing and therefore, where necessary, the Company may limit the number of attendees entering the Special General Meeting venue.

(4) All attendees must wear face masks at all times inside the Special General Meeting venue or at the waiting area outside the Special General Meeting venue. Any attendees who do not wear face masks may be requested to leave or denied entry into the Special General Meeting venue.

(5) All attendees must clean their hands with alcohol-based hand sanitizer before entering the Special General Meeting venue.

(6) Body temperature checks/screening will be conducted on all persons before they enter the waiting area outside the Special General Meeting venue. Any person with a body temperature of over 37.2 degrees Celsius may be requested to leave or denied entry into the Special General Meeting venue.

(7) The Company reminds attendees that they should carefully consider their own health/personal circumstances before they decide to attend the Special General Meeting in person. The Company would like to remind all Shareholders that physical attendance at the Special General Meeting is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the Special General

Meeting as their proxy to vote on the relevant resolutions at the Special General Meeting instead of attending the Special General Meeting in person. Completion and return of the proxy forms will not preclude the Shareholders from attending and voting in person at the meeting or any adjournment thereof should they subsequently so wish, and in such case, the proxy forms previously submitted shall be deemed to be revoked.

(8) The Company will continue to monitor how the COVID-19 outbreak develops and may adopt additional measures.

As at the date of this notice, the Board comprises four executive directors, namely Mr. Xiao Shuxin, Mr. Long Zhong Sheng, Mr. Chen Zhimiao and Mr. Zhang Guangming; and three independent non-executive directors, namely Mr. Wang Qihong, Mr. Wang Guoqi and Mr. Liu Jishun.