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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)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

References are made to the Continuing Connected Transactions Announcement and the Continuing Connected Transactions Circular in relation to, among others, the entering into of the Yangxin Hongsheng Sales Framework Agreement and the Existing Annual Caps. Under the Yangxin Hongsheng Sales Framework Agreement, the Group will supply certain products to Yangxin Hongsheng, including, among others, copper concentrate and other products as agreed by the parties from time to time during the term thereof.

The amount of copper concentrate to be supplied by the Group to Yangxin Hongsheng and the transaction amount under the Yangxin Hongsheng Sales Framework Agreement are expected to increase, and the Board envisages that the Existing Annual Caps will not be sufficient to fulfil the additional previously unforeseen transactions that may take place under the Yangxin Hongsheng Sales Framework Agreement for the financial years ending December 31, 2023 and 2024, respectively.

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transactions.

As at the date of this announcement, 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. 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. As a result, the transactions contemplated under the Yangxin Hongsheng Sales Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Revised 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.

A circular containing, among other things, (i) further details of the adoption of Revised Annual Caps; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the adoption of Revised Annual Caps; and (iv) a notice convening the SGM will be despatched to the Shareholders on or before June 14, 2023 in compliance with the Listing Rules.

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

References are made to the Continuing Connected Transactions Announcement and the Continuing Connected Transactions Circular in relation to, among others, the entering into of the Yangxin Hongsheng Sales Framework Agreement and the Existing Annual Caps. Under the Yangxin Hongsheng Sales Framework Agreement, the Group will supply certain products to Yangxin Hongsheng, including, among others, copper concentrate and other products as agreed by the parties from time to time during the term thereof.

The amount of copper concentrate to be supplied by the Group to Yangxin Hongsheng and the transaction amount under the Yangxin Hongsheng Sales Framework Agreement are expected to increase, and the Board envisages that the Existing Annual Caps will not be sufficient to fulfil the additional previously unforeseen transactions that may take place under the Yangxin Hongsheng Sales Framework Agreement for the financial years ending December 31, 2023 and 2024, respectively.

For the purpose of supporting the operation of the New Copper Cathode Production Plant, Yangxin Hongsheng would purchase copper concentrate mainly from independent third parties of the Group, and from the Group from time to time, for such supply of raw materials. The purchases from independent third parties of the Group would in general be supported by letters of credit to be issued by banks. Due to the stricter review and approval requirements of banking institutions in the PRC, certain banks would require the New Copper Cathode Production Plant reaching its production capacity and standard as a condition precedent for the issuance of letters of credit to Yangxin Hongsheng. As the New Copper Cathode Production Plant would only reach its production capacity and standard in 2024 as currently expected, progress of the application and the issuance of certain letters of credit from the banks for Yangxin Hongsheng (for the purpose of its procurement of copper concentrate from third party suppliers) have in turn been delayed. To facilitate and ensure the continued operation of the New Copper Cathode Production Plant, Yangxin Hongsheng expects to increase its purchase of copper concentrate from the Group as raw materials for the production under the New Copper Cathode Production Plant during the years ending December 31, 2023 and 2024 while pending the issuance of the letter of credits from the banks.

Pricing Policy

The terms of the Yangxin Hongsheng Sales Framework Agreement have not been changed or modified in any way and the major terms (including the pricing policy) are set out in the section headed “A. Major Transaction And Continuing Connected Transactions – 2. Yangxin Hongsheng Sales Framework Agreement” in the Continuing Connected Transactions Announcement and the section headed “–II. Major Transaction And Continuing Connected Transactions – 3. Yangxin Hongsheng Sales Framework Agreement” in the Letter from the Board in the Continuing Connected Transactions Circular.

Historical Transaction Amount

For the four months ended April 30, 2023, the transaction amount incurred in respect of the transactions under the Yangxin Hongsheng Sales Framework Agreement was approximately RMB1,669.13 million (unaudited). The Company also confirms that as at the date of this announcement, the actual transaction amount has not exceeded the Existing Annual Caps.

Revised Annual Caps

Accordingly, the Board resolved to revise the annual caps for the years ending December 31, 2023 and 2024 for the transactions as contemplated under the Yangxin Hongsheng Sales Framework Agreement as follows:

	Year ending December 31, 2023 <i>(RMB'000)</i>	Year ending December 31, 2024 <i>(RMB'000)</i>
Existing Annual Caps	2,336,214	2,704,630
Revised Annual Caps	7,203,325	7,905,839

The above Revised Annual Caps are determined with reference to (i) the projected increase of future orders based on the expected amount of copper concentrates to be supplied to Yangxin Hongsheng; (ii) the historical transaction amount paid by Yangxin Hongsheng to the Group; (iii) existing purchase orders placed by other purchasers with the Group for copper concentrates; and (iv) the average historical market price and the anticipated future market price for copper concentrates.

For the avoidance of doubt, the proposed annual caps for the year ending 31 December 2025 for the transactions as contemplated under the Yangxin Hongsheng Sales Framework Agreement as set out in the Continuing Connected Transactions Circular shall remain unchanged.

REASONS FOR AND BENEFITS OF THE ADOPTION OF REVISED ANNUAL CAPS

In view of the reason as set out below, the amount of copper concentrate to be supplied by the Group to Yangxin Hongsheng and the transaction amount under the Yangxin Hongsheng Sales Framework Agreement are expected to increase, and the Board envisages that the Existing Annual Caps will not be sufficient to fulfil the additional previously unforeseen transactions that may take place under the Yangxin Hongsheng Sales Framework Agreement for the financial years ending December 31, 2023 and 2024.

For the purpose of supporting the operation of the New Copper Cathode Production Plant, Yangxin Hongsheng would purchase copper concentrate mainly from independent third parties of the Group, and from the Group from time to time, for such supply of raw materials. The purchases from independent third parties of the Group would in general be supported by letters of credit to be issued by banks. Due to the stricter review and approval requirements of banking institutions in the PRC, certain banks would require the New Copper Cathode Production Plant reaching its production capacity and standard as a condition precedent for the issuance of letters of credit to Yangxin Hongsheng. As the New Copper Cathode Production Plant would only reach its production capacity and standard in 2024 as currently expected, progress of the application and the issuance of certain letters of credit from the banks for Yangxin Hongsheng (for the purpose of its procurement of copper concentrate from third party suppliers) have in turn been delayed. To facilitate and ensure the continued operation of the New Copper Cathode Production Plant, Yangxin Hongsheng expects to increase its purchase of copper concentrate from the Group as raw materials for the production under the New Copper Cathode Production Plant during the years ending December 31, 2023 and 2024 while pending the issuance of the letter of credits from the banks. The Group expects that Yangxin Hongsheng would be able to obtain the letters of credit

for the purpose of its purchase of copper concentrate from independent third parties suppliers for the year ending December 31, 2025 upon the New Copper Cathode Production Plant reaching its production capacity and standard in 2024 as currently expected. The Group would meanwhile continue to purchase copper concentrate from independent third parties (with the letters of credit issued to the Group by the banks) to support the production of the Group, including for its supply to Yangxin Hongsheng as required. The Group is not required to provide guarantee(s) or pledge(s) to the banks for such issuance of the letters of credit.

Due to the aforementioned factors, the amount of copper concentrate to be supplied by the Group to Yangxin Hongsheng is expected to exceed the initial estimate for the years ending December 31, 2023 and 2024. The Board envisages that the Existing Annual Caps will not be sufficient to fulfil the additional unforeseen transactions that may take place under the Yangxin Hongsheng Sales Framework Agreement for the financial years ending December 31, 2023 and 2024 and therefore proposes to adopt the Revised Annual Caps.

The Board is of the view that the Revised Annual Caps will continue to allow the Group to serve as a reliable back-up source of supply of copper concentrate to Yangxin Hongsheng to facilitate the continued operation of the New Copper Cathode Production Plant, which will in turn increase the production capacity of copper cathode of the Group, 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.

The Directors (excluding the independent non-executive Directors whose view will be expressed after receiving advice from the Independent Financial Adviser) consider that the proposed Revised Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

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, the transactions under the Yangxin Hongsheng Sales Framework Agreement is subject to the reporting requirements and the independent non-executive Directors will review the transactions annually to assess whether such transactions are conducted in accordance with the terms (including the pricing mechanism) as set out in the Yangxin Hongsheng Sales Framework Agreement.

The Directors consider that the internal control system of the Group is adequate to ensure that the transactions will be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

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 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 Development as to 16% and Huangshi State-owned Assets Management as to 8%, respectively.

LISTING RULES IMPLICATIONS

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transactions.

As at the date of this announcement, 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. 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. As a result, the transactions contemplated under the Yangxin Hongsheng Sales Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Revised 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.

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 has abstained from voting on the resolutions at the meeting of the Board to approve the adoption of Revised Annual Caps. 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 adoption of Revised Annual Caps.

GENERAL

An SGM will be convened and held at which the Independent Shareholders will consider, and, if thought fit, approve the adoption of Revised Annual Caps.

In view of the potential interests of China Times in the adoption of Revised Annual Caps, China Times will abstain from voting in relation to the adoption of Revised Annual Caps at the SGM. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save and except China Times, no other Shareholder has a material interest in the adoption of Revised Annual Caps, therefore, no other Shareholder will be required to abstain from voting at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the fairness and reasonableness of the adoption of Revised Annual Caps, after taking into account the recommendations of the Independent Financial Adviser. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the adoption of Revised Annual Caps; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the adoption of Revised Annual Caps; and (iv) a notice convening the SGM will be despatched to the Shareholders on or before June 14, 2023 in compliance with the Listing Rules.

DEFINITION

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“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
“Continuing Connected Transactions Announcement”	the announcement of the Company dated November 22, 2022 in relation to, among others, the entering into of the Yangxin Hongsheng Sales Framework Agreement and the Existing Annual Caps
“Continuing Connected Transactions Circular”	the circular of the Company dated December 23, 2022 in relation to, among others, the entering into of the Yangxin Hongsheng Sales Framework Agreement and the Existing Annual Caps
“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)”	director(s) of the Company
“Existing Annual Caps”	the existing annual cap amount in respect of the supply of certain products by the Group to Yangxin Hongsheng under the Yangxin Hongsheng Sales Framework Agreement for the financial years ending December 31, 2023 and 2024 as set out in the Continuing Connected Transactions Announcement and the Continuing Connected Transactions Circular
“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”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the adoption of Revised 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 adoption of Revised Annual Caps
“Independent Shareholder(s)”	Shareholder(s) other than China Times, the Parent Company, CNMC and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“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
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Revised Annual Caps”	the revised annual cap amount in respect of the supply of certain products from the Group to Yangxin Hongsheng under the Yangxin Hongsheng Sales Framework Agreement for the financial years ending December 31, 2023 and 2024.
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	a special general meeting of the Company to be held to consider and if thought fit, approve the adoption of Revised 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

“Yangxin Hongsheng Sales Framework Agreement”	the sales framework agreement dated November 22, 2022 entered into between the Company and Yangxin Hongsheng, the details of which are set out in the Continuing Connected Transactions Announcement and the Continuing Connected Transactions Circular
“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
“%”	per cent

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

Hong Kong, May 23, 2023

As at the date of this announcement, 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, Ms. Liu Fang and Mr. Liu Jishun.

* *For identification purpose only*