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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 TERMS AND ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

REVISION OF TERMS AND ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

References are made to the Continuing Connected Transactions Announcements in relation to, among others, the Yangxin Hongsheng Services Framework Agreement and the Existing Annual Caps. Under the Yangxin Hongsheng Services Framework Agreement, the Group will provide certain services to Yangxin Hongsheng as agreed by the parties from time to time during the term thereof.

On 15 April 2024, the Company and Yangxin Hongsheng reached an agreement to revise certain terms to the Yangxin Hongsheng Services Framework Agreement as to the list of certain services the Group provides to Yangxin Hongsheng to include arsenic sulfide slag and neutralized slag disposal service and production technical service and the relevant pricing policies.

It is expected that the Group will provide arsenic sulfide slag and neutralized slag disposal service and production technical service to Yangxin Hongsheng and the estimated transaction amount of mineral product examination service and technology development service will be increased, leading to an increase in the transaction amount under the Yangxin Hongsheng Services Framework Agreement. Accordingly, the Board envisages that the Existing Annual Caps will not be sufficient to fulfill the additional previously unforeseen transactions that may take place under the Yangxin Hongsheng Services Framework Agreement for the financial years ending 31 December 2024 and 2025, respectively.

Yangxin Hongsheng Services Framework Agreement

Due to the production and operation needs of Yangxin Hongsheng and that the Group is able to provide these services, the provision of arsenic sulfide slag and neutralized slag disposal service and production technical service by the Group is conducive to the smooth and convenient production and operation of Yangxin Hongsheng, which enables convenient and cost-efficient sharing of the various services between the Group and Yangxin Hongsheng. Confidentiality of business secrets regarding technology development service is also under consideration, mainly because the laboratory inspection involves metal content balance relationship. If the third parties outside the Group provides such service to Yangxin Hongsheng, our raw material procurement situation and production metal recovery rate may be divulged, which will impact the Company's negotiation of the raw material market purchase price (processing fee). Thus, the Group anticipates that the Group will provide arsenic sulfide slag and neutralized slag disposal service and production technical service to Yangxin Hongsheng during the years ending 31 December 2024 and 2025.

Revision of Terms

As a result of the foregoing, on 15 April 2024, the Company and Yangxin Hongsheng reached an agreement to revise certain terms to the Yangxin Hongsheng Services Framework Agreement as to the list of certain services the Group will provide to Yangxin Hongsheng to include arsenic sulfide slag and neutralized slag disposal service and production technical service, and the relevant pricing policies. Details of the revised major terms are set out in the section headed “– Pricing Policy” below.

Pricing Policy

References are made to the Continuing Connected Transactions Announcements in relation to, among others, the Yangxin Hongsheng Services Framework Agreement.

Pursuant to the revised Yangxin Hongsheng Services Framework Agreement, the Group will provide certain services to Yangxin Hongsheng, including engineering design and surveying, environment monitoring, equipment, electrical and oil products inspection and examination, research and development, architectural/ore-dressing design, maneuvering wire improvement, technical development services, blueprinting, technical consulting, mineral product examination, arsenic sulfide slag and neutralized slag disposal service, production technical service and such other services as agreed by the parties from time to time. The prices for the supply of the arsenic sulfide slag and neutralized slag disposal service and production technical service will be determined by the parties on the following basis:

Arsenic sulfide slag and neutralized slag disposal service:	Comprehensive consideration of all the costs of the project such as material consumption, transportation cost, equipment depreciation, labour costs, management fees, etc. plus an agreed premium profit
Production technical service:	Comprehensive consideration of all the costs of the project such as material consumption, labour costs, management fees, etc. plus an agreed premium profit

Save as disclosed above, the terms of the Yangxin Hongsheng Services Framework Agreement have not been changed or modified in any way and other major terms (including the pricing policy for the supply of other services under the Yangxin Hongsheng Services Framework Agreement) are set out in the section headed “A. Major Transaction And Continuing Connected Transactions – 5. Yangxin Hongsheng Services Framework Agreement” in the announcement of the Company dated 22 November 2022.

Historical Transaction Amount

For the three months ended 31 March 2024, the transaction amount incurred in respect of the transactions under the Yangxin Hongsheng Services Framework Agreement was approximately RMB8.91 million (unaudited). The Company also confirms that as at the date of this announcement, the actual transaction amount under the Yangxin Hongsheng Services Framework Agreement has not exceeded the Existing Annual Caps.

Revision of Annual Caps of the Yangxin Hongsheng Services Framework Agreement

Accordingly, the Board resolved to revise the annual caps for the years ending 31 December 2024 and 2025 for the transactions as contemplated under the Yangxin Hongsheng Services Framework Agreement as follows:

	Year ending 31 December 2024 (RMB'000)	Year ending 31 December 2025 (RMB'000)
Existing Annual Caps	21,000	21,000
Revised Annual Caps	39,750	39,450

The above Revised Annual Caps have been determined with reference to the: (i) historical service fees received by the Group from other purchasers for similar services provided; (ii) expected volume of services to be provided to Yangxin Hongsheng; and (iii) expected amount of services fees to be received by the Group in the next two years ending 2025.

Arsenic sulfide slag and neutralized slag disposal service, mineral product examination service, production technical service and technology development service accounts for approximately 70%, 10%, 9% and 11% of the amount of the newly increased portion from the Existing Annual Caps respectively. The estimated transaction amount of the arsenic sulfide slag and neutralized slag disposal service is reasonably estimated based on the annual treatment volume of 4,700 tonnes and the unit treatment price of RMB3,500 per tonne for the two years ending 2025; the estimated transaction amount of the production technical service, mineral product examination service and technology development service are reasonably estimated based on the projected annual workload with reference to the pricing basis for the two years ending 2025. Projected annual workload is directly affected by the expected production and sales volume of copper. As the output of copper is expected to be 400,000 tons in 2024, and the actual output in 2023 was 335,900 tons, the expected production and sales in 2024 increases by approximately 19% compared to 2023. The decrease in the Revised Annual Cap for 2025 as compared to that for 2024 is mainly due to the fact that Yangxin Hongsheng has basically completed the various infrastructure projects in 2024 and is not expected to generate new survey services. The reasons for the substantial increase in the Revised Annual Caps as compared to the historical transaction amounts are, firstly, due to the new arsenic sulfide slag and neutralized slag disposal service, mainly because the arsenic sulfide slag and neutralized slag produced by Yangxin Hongsheng from October to December 2023 have not been disposed of and have been in the state of stack, which will be required to be disposed of in 2024; and secondly, the increase in the mineral product examination service and technology development service fees, mainly attributable to the impact of the increase in workload of the laboratory testing and examination of raw materials, products, and so on. The increase in workload for laboratory testing of raw materials and products is due to the increase in the amount of raw materials and products requiring testing.

REASONS FOR AND BENEFITS OF THE ADOPTION OF REVISED ANNUAL CAPS

In view of the reason as set out below, the Group will provide arsenic sulfide slag and neutralized slag disposal service and production technical service to Yangxin Hongsheng and the estimated transaction amount of mineral product examination service and technology development service will be increased. Therefore, the transaction amount under the Yangxin Hongsheng Services Framework Agreement are expected to increase, and the Board envisages that the Existing Annual Caps will not be sufficient to fulfill the additional previously unforeseen transactions that may take place under each of the Yangxin Hongsheng Services Framework Agreement for the financial years ending 31 December 2024 and 2025.

The Board is of the view that the provision of these services is necessary to safeguard the production and operation of Yangxin Hongsheng, and the Group is qualified to provide these services, and the provision of this part of the services by the Group can maximise the benefits of the Group.

The Directors (including the independent non-executive Directors) are of the view that the Yangxin Hongsheng Services Framework Agreement has been entered into on normal commercial terms, in the ordinary and usual course of business of the Group, and together with the Revised Annual Caps, are fair and reasonable and in the interests of the Company 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 authorized 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 summarize 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 monthly review. In the event that 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 Services Framework Agreement are 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 Services 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

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 Urban Development Investment Group as to 12% and Huangshi State-owned Assets Management as to 12%, 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.

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 Urban Development Investment Group as to 12% and Huangshi State-owned Assets Management as to 12%, respectively. Accordingly, Yangxin Hongsheng is a connected subsidiary of the Company. As a result, the transactions contemplated under the Yangxin Hongsheng Services 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 is expected to be more than 0.1% but less than 5%, the Yangxin Hongsheng Services Framework Agreement is subject to the reporting, announcement and annual review requirements, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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.

DEFINITIONS

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
“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 subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions Announcements”	the announcements of the Company dated 22 November 2022 and 9 February 2024 in relation to, among others, the entering into of the Yangxin Hongsheng Services 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 certain services provided by the Group to Yangxin Hongsheng under the Yangxin Hongsheng Services Framework Agreement for the financial years ending 31 December 2024 and 2025 as set out in the Continuing Connected Transactions Announcements and the Continuing Connected Transactions Circular
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huangshi Shengxiang”	Huangshi Shengxiang Copper Co., Ltd. (黃石晟祥銅業有限公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Parent Company

“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 Urban Development Investment Group”	Huangshi Urban Development Investment Group Co., Ltd.* (黃石市城市發展投資集團有限公司), a limited liability company incorporated in the PRC, holding 12% equity interests of Yangxin Hongsheng
“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 in terms of rough smelting 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 certain services the Group will provide to Yangxin Hongsheng under the Yangxin Hongsheng Services Framework Agreement for the financial years ending 31 December 2024 and 2025
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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 Services Framework Agreement”	the services framework agreement dated 22 November 2022 entered into between the Company and Yangxin Hongsheng, the details of which are set out in the Continuing Connected Transactions Announcements, and the revised terms of which are set out in the section headed “Revision of Terms and Annual Caps for Continuing Connected Transactions – Yangxin Hongsheng Services Framework Agreement – Pricing Policy” in this announcement
“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, 15 April 2024

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Xiao Shuxin, Mr. Zhang Jinzhong, Mr. Chen Zhimiao and Mr. Zhang Guangming; and three independent non-executive directors, namely Ms. Liu Fang, Mr. Wang Qihong and Mr. Liu Jishun.

* *For identification purpose only*