



金聯資本(企業融資)有限公司  
Goldlink Capital (Corporate Finance) Limited

16 April 2024

To: *The Independent Board Committee and the Independent Shareholders of  
Zijin Mining Group Company Limited\**

Dear Sir or Madam,

**EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION  
OF THE SHAREHOLDERS' GENERAL MEETINGS ON THE ISSUANCE  
OF A SHARE CONVERTIBLE CORPORATE BONDS OF THE COMPANY TO  
NON-SPECIFIC INVESTORS AND THE VALIDITY PERIOD  
OF THE RELEVANT AUTHORISATION**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the possible Connected Transactions regarding the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the H Shareholders dated 16 April 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

At the 2022 annual general meeting, the first A Shareholders' class meeting in 2023 and the first H Shareholders' class meeting in 2023 of the Company, the proposal on the Issuance of A Share Convertible Corporate Bonds of the Company to non-specific investors was considered and approved. The proposal in relation to the possible Connected Transactions of subscriptions of A Share Convertible Corporate Bonds under the Issuance of A Share Convertible Corporate Bonds by the Company's Connected Persons was also approved at the 2022 annual general meeting of the Company. According to the Offering Document, the validity periods of the resolutions of the shareholders' general meetings relating to the Issuance of A Share Convertible



Corporate Bonds to non-specific investors and the Relevant Authorisation shall be 12 months from the date on which the resolutions relating to the Issuance of A Share Convertible Corporate Bonds and the Relevant Authorisation were considered and approved at the abovementioned shareholders' general meetings of the Company, i.e., from 25 May 2023 to 24 May 2024.

On 26 May 2023, the authorised persons of the Board revised the relevant contents in the plan, proposal and other documents of the Issuance of A Share Convertible Corporate Bonds in accordance with the Relevant Authorisation and the latest regulations and regulatory documents, such as the Administrative Measures.

As the relevant work on the Issuance of A Share Convertible Corporate Bonds of the Company is under progress and the validity periods of the resolutions relating to the Issuance of A Share Convertible Corporate Bonds will expire soon, in order to ensure the smooth implementation of relevant work on the Issuance of A Share Convertible Corporate Bonds, it is proposed that the validity period of the resolution of the shareholders' general meetings on the Issuance of A Share Convertible Corporate Bonds shall be extended for 12 months from the date of the expiry, i.e., until 24 May 2025. Apart from the abovementioned proposed extension of the validity period of the resolution of the shareholders' general meetings on the Issuance of A Share Convertible Corporate Bonds of the Company to non-specific investors and the validity period of the Relevant Authorisation, all other matters and contents of the proposal on the Issuance of A Share Convertible Corporate Bonds shall remain unchanged.

The relevant matters of the Issuance of A Share Convertible Corporate Bonds were considered and approved at the thirteenth meeting of the seventh term of the Board held on 21 October 2022, the fifth extraordinary meeting in 2023 of the eighth term of the Board held on 17 February 2023, the 2022 annual general meeting held on 25 May 2023 and the ninth extraordinary meeting in 2023 of the eighth term of the Board held on 26 May 2023. Pursuant to the stipulations in the relevant laws and regulations, the implementation of the Issuance of A Share Convertible Corporate Bonds shall be subject to the review and approval of the Shanghai Stock Exchange and the consent on registration of the CSRC.

As at the Latest Practicable Date, Minxi Xinghang holds 6,083,517,704 A Shares, representing approximately 23.11% of the total number of issued Shares. Accordingly, Minxi Xinghang is the Substantial Shareholder and a Connected Person of the Company. Minxi Xinghang shall have the right to subscribe for the A Share Convertible Corporate Bonds in priority, and the right to surrender such right of subscription. Minxi Xinghang may subscribe for the A Share Convertible Corporate Bonds with a maximum subscription amount of RMB2,954,734,600.

As at the Latest Practicable Date, the Relevant Connected Persons directly hold an aggregate of 74,348,009 A Shares, representing approximately 0.28% of the total number of issued Shares, and may directly subscribe for the A Share Convertible Corporate Bonds with a maximum subscription amount of RMB36,110,000 based on their shareholding proportion of A Shares. The Relevant Connected Persons also indirectly hold an aggregate of 4,116,557 A Shares through their interests in the Employee Stock Ownership Scheme, representing approximately





0.02% of the total number of issued Shares. The Relevant Connected Persons may also indirectly subscribe for the A Share Convertible Corporate Bonds through their interests in the Employee Stock Ownership Scheme with a maximum subscription amount of RMB1,999,100.

The terms and conditions for Minxi Xinghang and the Relevant Connected Persons to subscribe for the A Share Convertible Corporate Bonds directly and/or through their interests in the Employee Stock Ownership Scheme will be the same as the terms and conditions set out in the proposal on the Issuance of A Share Convertible Corporate Bonds.

Under Chapter 14A of the Listing Rules, if any of Minxi Xinghang and/or the Relevant Connected Persons subscribes for the A Share Convertible Corporate Bonds directly and/or through their interests in the Employee Stock Ownership Scheme, it will constitute Connected Transaction(s) of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

All Relevant Directors and Mister Li Jian (a Director who is also the chairman of Minxi Xinghang) were required to abstain from voting in the Board meeting in respect of the resolutions to approve the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds. All remaining Directors who were entitled to vote unanimously approved the above resolutions. The format and procedure for passing the resolutions complied with the Company Law of the PRC and the Articles of Association. Save for the above, no other Directors have or are deemed to have material interests in the above transactions. In addition, no Directors have abstained from voting on other Board resolutions at the abovementioned Board meeting.

An Independent Board Committee (comprising all independent non-executive Directors, namely, He Fulong, Mao Jingwen, Li Changqing, Suen Man Tak, Bo Shao Chuan and Wu Xiaomin) has been established in accordance with Chapter 14A of the Listing Rules to give recommendations to the Independent Shareholders in respect of the possible Connected Transactions regarding the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds. We, Goldlink Capital (Corporate Finance) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, save for our appointment as an independent financial adviser for the Company on one occasion, details of which are set out in the Company's circular dated 25 April 2023 in relation to, among others, the Issuance of A Share Convertible Corporate Bonds, there was no engagement between the Company and Goldlink Capital (Corporate Finance) Limited.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Group that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.



## **BASIS OF OUR OPINION**

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

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.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.





## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds, we have taken into consideration of the following principal factors and reasons:

### 1.1 Background information of the Group

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange. The Group is a sizeable multinational mining group dedicated to exploration and development of copper, gold, zinc, lithium, silver, molybdenum and other metallic mineral resources globally, research, design and application of mining engineering, etc. The Company is principally engaged in mining, production, refining and sales of copper, gold and other mineral resources.

According to the annual results announcement of the Group for the year ended 31 December 2023 (the “**2023 Annual Results Announcement**”), in 2023, the Company ranked 284th in the list of public companies of Forbes Global 2000, 6th among the listed metal mining companies and 1st among the global gold companies on the list. It also ranked 373rd on the Fortune Global 500 list. The Company is one of the sizable mining companies generating the best efficacy, controlling the highest metal resources reserve volume, having the highest production volumes and performing most competitively in the Chinese mining industry.

### 1.2 Financial information of the Group

Set out below is a summary of the financial information of the Group for the three years ended 31 December 2021, 2022 and 2023, which are extracted from the annual report of the Group for the year ended 31 December 2022 (the “**2022 Annual Report**”) and the 2023 Annual Results Announcement:

#### *Financial Performance of the Group*

	For the year ended 31 December		
	2023	2022	2021
	RMB' million	RMB' million	RMB' million
	(audited)	(audited)	(audited)
Operating income	293,403.2	270,329.0	225,102.5
Operating profit	31,936.5	30,945.6	25,086.5
Net profit	26,539.6	24,767.2	19,599.6



*For the year ended 31 December 2023*

According to the 2023 Annual Results Announcement, the Group's operating income increased by approximately 8.5% from approximately RMB270.3 billion for the year ended 31 December 2022 to approximately RMB293.4 billion for the year ended 31 December 2023. Such increase was mainly attributable to the general increase in production and sales volume of all mineral products (except iron ore) in 2023 as compared with that of 2022.

The overall gross profit margin of the Group increased by approximately 0.07 percentage points from approximately 15.74% for the year ended 31 December 2022 to approximately 15.81% for the year ended 31 December 2023. The overall gross profit margin of mine-produced products (excluding refined and processed products) was 49.09% for the year ended 31 December 2023, representing a decrease of approximately 5.20 percentage points compared with that of the same period last year, which was mainly due to the increase in cost. The Group recorded an increase in operating profit from approximately RMB30.9 billion for the year ended 31 December 2022 to approximately RMB31.9 billion for the year ended 31 December 2023 and an increase in net profit from approximately RMB24.8 billion for the year ended 31 December 2022 to approximately RMB26.5 billion for the year ended 31 December 2023.

*For the year ended 31 December 2022*

According to the 2022 Annual Report, the Group's operating income increased by approximately 20.1% from approximately RMB225.1 billion for the year ended 31 December 2021 to approximately RMB270.3 billion for the year ended 31 December 2022. Such increase was mainly attributable by the combined effect of (i) the general increase in production and sales volume of all mineral products in 2022 as compared with that of 2021; (ii) the increase in product unit prices for mine-produced gold products and mine-produced and refined zinc products of the Group.

The overall gross profit margin of the Group increased by approximately 0.30 percentage points from approximately 15.44% for the year ended 31 December 2021 to approximately 15.74% for the year ended 31 December 2022. The overall gross profit margin mine-produced products (excluding refined and processed products) was 54.29% for the year ended 31 December 2022, representing a decrease of approximately 4.69 percentage points compared with that of the same period last year, which was mainly due to the decrease in the mine-produced copper price. The Group recorded an increase in operating profit from approximately RMB25.1 billion for the year ended 31 December 2021 to approximately RMB30.9 billion for the year ended 31 December 2022 and an increase in net profit from approximately RMB19.6 billion for the year ended 31 December 2021 to approximately RMB24.8 billion for the year ended 31 December 2022.





*Financial Position of the Group*

	As at 31 December		
	2023	2022	2021
	RMB' million (audited)	RMB' million (audited)	RMB' million (audited)
Current assets	77,628.5	79,644.4	47,064.3
Non-current assets	<u>265,377.2</u>	<u>226,399.7</u>	<u>161,530.4</u>
<b>Total assets</b>	<b><u>343,005.7</u></b>	<b><u>306,044.1</u></b>	<b><u>208,594.7</u></b>
Current liabilities	84,182.4	71,169.9	50,302.5
Non-current liabilities	<u>120,460.5</u>	<u>110,418.8</u>	<u>65,395.0</u>
<b>Total liabilities</b>	<b><u>204,642.9</u></b>	<b><u>181,588.7</u></b>	<b><u>115,697.5</u></b>
<b>Net assets</b>	<b><u>138,362.8</u></b>	<b><u>124,455.4</u></b>	<b><u>92,897.2</u></b>

The total assets of the Group, mainly comprised of fixed assets (including mining assets, buildings and plant, machinery and equipment), intangible assets (including exploration and mining rights and land use rights) and inventories, increased from approximately RMB208.6 billion as at 31 December 2021 to approximately RMB306.0 billion as at 31 December 2022 and further increased to approximately RMB343.0 billion as at 31 December 2023. The Group's fixed assets amounted to approximately RMB55.6 billion, RMB72.7 billion and RMB81.5 billion as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively, representing approximately 26.7%, 23.8% and 23.8% of the Group's total assets of the respective periods. The Group's intangible assets amounted to approximately RMB47.5 billion, RMB68.3 billion and RMB67.9 billion as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively, representing approximately 22.8%, 22.3% and 19.8% of the Group's total assets of the respective periods. The Group's inventories amounted to approximately RMB19.3 billion, RMB28.1 billion and RMB29.3 billion as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively, representing approximately 9.3%, 9.2% and 8.5% of the Group's total assets of the respective periods.

The Group's total liabilities increased from approximately RMB115.7 billion as at 31 December 2021 to approximately RMB181.6 billion as at 31 December 2022 which was mainly attributable to the increase in long-term borrowings from approximately RMB36.1 billion as at 31 December 2021 to approximately RMB68.8 billion as at 31 December 2022 and the increase in contract liabilities from approximately RMB0.7 billion as at 31 December 2021 to approximately RMB7.4 billion as at 31 December 2022. The total liabilities then further increased to approximately RMB204.6 billion as at 31 December 2023 which was mainly attributable to the increase in long-term borrowings to approximately RMB77.5



billion as at 31 December 2023 and the increase in other payables from approximately RMB9.8 billion as at 31 December 2022 to approximately RMB13.9 billion as at 31 December 2023.

As a result of the foregoing, the net assets of the Group as at 31 December 2021, 31 December 2022 and 31 December 2023 amounted to approximately RMB92.9 billion, RMB124.5 billion and RMB138.4 billion, respectively. The gearing ratio of the Group was approximately 1.25, 1.46 and 1.48 as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively, which was relatively stable.

### **1.3 Information of Minxi Xinghang**

Minxi Xinghang is a state-owned limited company incorporated in the PRC. Its principal activities are operation and management of state-owned assets within the authorised scope and project investment. It is the Substantial Shareholder of the Company, holding approximately 23.11% equity interest in the Company as at the Latest Practicable Date.

### **1.4 Information of the Relevant Connected Persons**

The Relevant Connected Persons are the Directors, the Supervisors and the directors of the Significant Subsidiaries, respectively, holding A Shares of the Company as at the Latest Practicable Date and shall have the right to subscribe for the A Share Convertible Corporate Bonds to be issued under the Issuance of A Share Convertible Corporate Bonds in priority and the right to surrender such right of subscription. The Relevant Connected Persons include Chen Jinghe, Zou Laichang, Lin Hongfu, Lin Hongying, Xie Xionghui and Wu Jianhui, the Directors; Lin Shuiqing, Cao Sanxing and Liu Wenhong, the Supervisors; and Shen Shaoyang, Wang Chun and Liao Yuanhang, the directors of the Significant Subsidiaries.

### **2.1 Background of and reasons for and benefits of the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds**

According to the circular of the Company dated 25 April 2023 (the “2023 Circular”), the Issuance of A Share Convertible Corporate Bonds can help the Company in expanding its mineral resources and reserves, enlarging the asset and business scales, as well as optimising the financial structure. The construction and implementation of the projects to be invested by the proceeds raised can steadily increase the revenue and profitability of the Company.

According to the 2023 Circular, after the proceeds raised in the Issuance of A Share Convertible Corporate Bonds are deposited in the account, the Company will invest the proceeds raised in various mining projects in accordance with the actual need and priority of the projects. Before the proceeds raised in the Issuance of A Share Convertible Corporate Bonds are deposited in the account, the Company will invest in the projects by self-financing first. After the proceeds raised are deposited in the account, the funds that





have been invested in the Projects shall be replaced according to relevant laws, regulations and procedures. The net amount of the proceeds raised after deducting the issuance expenses is proposed to be used for the following projects (the “Projects”):

*Unit: RMB billion*

<b>Project name</b>	<b>Total investment amount</b>	<b>Original proposed investment amount for the proceeds raised</b>	<b>Actual proposed investment amount for the proceeds raised</b>
Acquisition of 30% equity interest in the Offshore Gold Mine in Shandong	3.9845	3.9845	3.9845
Acquisition of the Shapinggou Molybdenum Mine in Anhui	5.91	5.91	2.5155
Acquisition of the Rosebel Gold Mine Project in Suriname <sup>(Note)</sup>	2.559096	2.5	2.5
Phase 1 underground mining construction project of the Aurora Gold Mine in Guyana <sup>(Note)</sup>	<u>1.9896403</u>	<u>1</u>	<u>1</u>
<b>Total</b>	<b><u>14.4432363</u></b>	<b><u>13.3945</u></b>	<b><u>10</u></b>

Note:

The total investment amount in “Acquisition of the Rosebel Gold Mine Project in Suriname” and “Phase 1 underground mining construction project of the Aurora Gold Mine in Guyana” is USD360 million and USD279.892 million, respectively, equivalent to RMB2.559096 billion and RMB1.9896403 billion, respectively, based on the RMB central parity rate (USD1:RMB7.1086) announced by the China Foreign Exchange Trade System on 18 October 2022.

We have discussed with the management of the Company and understand that there shall be no change to the use of proceeds raised in the Issuance of A Share Convertible Corporate Bonds up to the Latest Practicable Date.

In addition, we have reviewed the 2023 Annual Results Announcement and understand that the current cash flows condition of the Company is favourable. According to the 2023 Annual Results Announcement, cash and cash equivalents of the Group amounted to approximately RMB18.4 billion as at 31 December 2023, which demonstrated that the Company has sufficient internal resources to finance the Projects. The Projects to be invested by the proceeds raised have been funded by self-financing for the time being and the Projects are progressing well. As such, we concur with the view of the Directors that the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds would not have a significant adverse impact on the Company’s operations and financial positions.



At the 2022 annual general meeting, the first A Shareholders' class meeting in 2023 and the first H Shareholders' class meeting in 2023 of the Company, the proposal on the Issuance of A Share Convertible Corporate Bonds for the year 2022 of the Company to non-specific investors was considered and approved. The proposal in relation to the possible Connected Transactions of subscriptions of A Share Convertible Corporate Bonds under the Issuance of A Share Convertible Corporate Bonds by the Company's Connected Persons was also approved at the 2022 annual general meeting of the Company. According to the Offering Document, the validity periods of the resolutions of the shareholders' general meetings relating to the Issuance of A Share Convertible Corporate Bonds to non-specific investors and the Relevant Authorisation shall be 12 months from the date on which the resolutions relating to the Issuance of A Share Convertible Corporate Bonds and the authorisation were considered and approved at the abovementioned shareholders' general meetings of the Company, i.e., from 25 May 2023 to 24 May 2024.

On 26 May 2023, the authorised persons of the Board revised the relevant contents in the plan, proposal and other documents of the Issuance of A Share Convertible Corporate Bonds in accordance with the Relevant Authorisation and the latest regulations and regulatory documents, such as the Administrative Measures.

According to the Letter from the Board, during the 12 months prior to the Latest Practicable Date, the Company has actively promoted the application process for the Issuance of A Share Convertible Corporate Bonds. The completed work mainly includes: (i) collaborating with the sponsor, both PRC and Hong Kong legal counsels and accounting firm to carry out verifications and prepare application materials pursuant to the requirements of the CSRC and the Shanghai Stock Exchange; and (ii) obtaining approval from the State-owned Assets Supervision and Administration Commission of the People's Government of Longyan City for the Issuance of A Share Convertible Corporate Bonds.

We have discussed with the management of the Company and understand that due to the impact of market cycles, the Company is still in discussion of the appropriate timing of the Issuance of A Share Convertible Corporate Bonds, and therefore the Issuance of A Share Convertible Corporate Bonds has not been completed as at the Latest Practicable Date. As at the Latest Practicable Date, the major work yet to be undertaken for the Issuance of A Share Convertible Corporate Bonds includes: (i) submitting application materials to the Shanghai Stock Exchange; (ii) passing the review of the Shanghai Stock Exchange and obtaining the relevant approval documents; (iii) carrying out the registration procedures with the CSRC; and (iv) executing the relevant issuance procedures.

According to the "Guidelines for Application of Regulatory Rules — Issuance Category No. 6" issued by the CSRC, "if a listed company intends to apply for re-financing, it is required to table the re-financing matter to the shareholders' general meeting for consideration, and the resolution of the shareholders' general meeting must specify the validity period, which in practice is generally one year, except for the issuance of preference shares in installments. In principle, a board of directors meeting and a shareholders' general meeting should be held before the expiration of the resolution of the shareholders' general meeting to extend the validity period." In light of the aforesaid





guidance, we concur with the view of the Directors that extending the validity period of the Resolutions Relating to the A Share Convertible Corporate Bonds for 12 months is in compliance with the aforementioned relevant provisions of the CSRC.

According to the Administrative Measures, the Company has met the relevant provisions for the Issuance of A Share Convertible Corporate Bonds, and currently does not foresee any material obstacles to completing the major work that still needs to be carried out.

Having considered (i) the proposed use of proceeds from the Issuance of A Share Convertible Corporate Bonds; (ii) the strong background of the Group as set out under the section headed “Information of the Group” in this letter; (iii) the current cash flows condition of the Company; (iv) the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds is in compliance with the relevant provisions of the CSRC; (v) the Company has met the relevant provisions for the Issuance of A Share Convertible Corporate Bonds in the Administrative Measures and currently does not foresee any material obstacles to completing the major work that still needs to be carried out; and (vi) the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds is to ensure the smooth implementation of the Issuance of A Share Convertible Corporate Bonds, we concur with the view of the Directors that the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds is in the interests of the Company and its Shareholders as a whole.

## **2.2 Impact of the Issuance of A Share Convertible Corporate Bonds on the shareholding structure of the Company**

The shareholding structures of the Company as at the Latest Practicable Date and after completion of the Issuance of A Share Convertible Corporate Bonds and conversion of all A Share Convertible Corporate Bonds into A Shares (assuming that (i) the Company has issued the A Share Convertible Corporate Bonds at the maximum issuance amount of RMB10 billion; (ii) all A Shareholders have subscribed for the respective maximum subscription amount of the A Share Convertible Corporate Bonds on pro-rata basis on



their current shareholding; (iii) all A Share Convertible Corporate Bonds are converted into A Shares at the minimum initial conversion price of RMB17.31 per A Share (i.e., the higher of average trading price of A Shares for the 20 trading days preceding the Latest Practicable Date and the average price of the trading day preceding the Latest Practicable Date); and (iv) the Company does not issue, allot, repurchase and cancel any Shares before all the A Share Convertible Corporate Bonds are converted into A Shares (the “**Calculation Assumptions**”) are as follows (the following table is prepared pursuant to the requirements of the Listing Rules and is for illustrative purpose only):

	Maximum subscription amount (RMB)	As at the Latest Practicable Date		After completion of the Issuance of A Share Convertible Corporate Bonds and conversion of all the A Share Convertible Corporate Bonds under the Calculation Assumptions			
		Number of Shares	Approximate percentage of the total number of issued A Shares	Approximate percentage of the total number of issued Shares	Number of Shares	Approximate percentage of the total number of issued A Shares	Approximate percentage of the total number of issued Shares
<b>A Shareholders</b>							
Minxi Xinghang	2,954,734,600	6,083,517,704	29.54%	23.11%	6,254,212,943	29.54%	23.25%
<b>Directors</b>							
Chen Jinghe	31,618,700	65,100,000	0.32%	0.25%	66,926,614	0.32%	0.25%
Zou Laichang	1,322,500	2,723,050	0.01%	0.01%	2,799,450	0.01%	0.01%
Lin Hongfu	839,700	1,728,938	0.01%	0.01%	1,777,447	0.01%	0.01%
Lin Hongying	474,500	977,000	0.01%	0.01%	1,004,411	0.01%	0.01%
Xie Xionghui	439,800	905,571	0.01%	0.01%	930,978	0.01%	0.01%
Wu Jianhui	247,700	510,000	0.01%	0.01%	524,309	0.01%	0.01%
<b>Supervisors</b>							
Lin Shuiqing	145,700	300,000	0.01%	0.01%	308,417	0.01%	0.01%
Cao Sanxing	60,200	124,000	0.01%	0.01%	127,477	0.01%	0.01%
Liu Wenhong	12,800	26,450	0.01%	0.01%	27,189	0.01%	0.01%
<b>Directors of the Significant Subsidiaries</b>							
Shen Shaoyang	486,100	1,001,000	0.01%	0.01%	1,029,082	0.01%	0.01%
Wang Chun	243,800	502,000	0.01%	0.01%	516,084	0.01%	0.01%
Liao Yuanhang	218,500	450,000	0.01%	0.01%	462,622	0.01%	0.01%
Other A Shareholders	7,009,155,400	14,431,183,227	70.03%	54.74%	14,836,102,668	70.03%	55.07%
<b>H Shareholders</b>							
<b>Director</b>							
Chen Jinghe	-	20,000,000	-	0.08%	20,000,000	-	0.07%
<b>Supervisor</b>							
Liu Wenhong	-	10,000	-	0.01%	10,000	-	0.01%
Other H Shareholders	-	5,716,930,000	-	21.70%	5,716,930,000	-	21.24%
	<u>10,000,000,000</u>	<u>26,325,988,940</u>	<u>100%</u>	<u>100%</u>	<u>26,903,689,691</u>	<u>100.00%</u>	<u>100.00%</u>





### 2.3 Comparison with other market issuers of A share convertible bonds

With reference to the 2023 Circular, the Connected Transaction is part of the arrangement under the Issuance of A Share Convertible Corporate Bonds. Apart from the abovementioned extension of the validity period of the resolution of the shareholders' general meetings on the Issuance of A Share Convertible Corporate Bonds of the Company to non-specific investors and the validity period of the Relevant Authorisation, other matters and contents of the authorisation granted to the Board at the shareholders' general meeting shall remain unchanged.

As set out in the 2023 Circular, in assessing whether the terms of the Connected Transaction(s) are fair and reasonable and on normal commercial terms, we have conducted searches for transactions regarding the issuance of A share convertible bonds, based on the criteria that (i) the company's shares are listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange or the Shenzhen Stock Exchange of the PRC; (ii) the company has conducted public issuance of A share convertible bonds; and (iii) the publication of offering document is within the period from 21 October 2021 up to the date of the announcement in relation to Issuance of A Share Convertible Corporate Bonds (i.e., 21 October 2022) (the "**Review Period**").

In respect of the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds, we have extended to the Review Period to include 22 March 2023 up to the date of the Announcement in relation to the extension of the validity period of the resolution of the Shareholders' General Meetings on the Issuance of A Share Convertible Corporate Bonds of the Company to non-specific investors and the validity period of the Relevant Authorisation of the Company (i.e., 22 March 2024). We consider that the basis of selecting the comparables with the criteria of publication offering document within the period from 22 March 2023 to 22 March 2024 is fair and reasonable given that (i) such criteria and period is sufficiently recent to demonstrate the prevailing market practices which are approved by the regulators; and (ii) we were able to identify sufficient relevant market issues for comparison within the Review Period.

Based on our independent research, we have, on best effort basis, identified one comparable (the "**Comparable**") which are exhaustive market issues based on the aforesaid criteria. We have reviewed certain key terms of the convertible bonds. As the Comparable has its own unique nature and characteristic in terms of, *inter alia*, business operation and environment, size, profitability and financial position, the comparison of the terms of the subscriptions between the Company and the Comparable may not represent an identical comparison. We, however, consider such comparison could be treated as an indication as to the reasonableness and fairness of the terms of the subscriptions. The relevant details of the Comparable are set forth in the table below:



Company Name	Date of announcement	Term (years)	Basis for determining Coupon rate	Basis for determining initial conversion price	Term of downward adjustment to the conversion price	Term of redemption	Term of sale back
The Company	21/10/2022	6	<p>The Company and the underwriter will make reference to, among others,</p> <p>(i) the interest rates of the convertible bonds issued by other PRC listed issuers with a size comparable to that of the Company around the time of determination of coupon rate;</p> <p>(ii) the then trading price of A Shares of the Company;</p> <p>(iii) the then condition and investment of the PRC bond market; and</p> <p>(iv) the credit rating of the Company and the A Share Convertible Corporate Bonds.</p>	<p>Shall not be lower than the higher of:</p> <p>(i) the average trading price of A Shares for the 20 trading days preceding the publication date of the Offering Document; and</p> <p>(ii) the average trading price of the preceding trading day, and shall not be lower than:</p> <p>(i) the audited net asset value per Share for the latest period; and</p> <p>(ii) face value of the Share of the Company.</p> <p>The actual initial conversion price shall be determined by the Board or the authorised persons of the Board upon negotiation with the sponsor (the lead underwriter) prior to the Issuance in accordance with the market conditions, which is subject to the authorisation by the Shareholders at the shareholders' general meetings of the Company.</p>	<p>If, during the term of the A Share Convertible Corporate Bonds, the closing prices of A Shares of the Company on at least 15 trading days out of any 30 consecutive trading days are lower than 75% of the prevailing conversion price, the Board is entitled to propose a downward adjustment to the conversion price and submit it to shareholders' general meetings for Shareholders' consideration and approval.</p> <p>The adjusted conversion price shall be no less than the higher of:</p> <p>(i) the average trading price of the A Shares of the Company for the 20 trading days preceding the date of such shareholders' general meetings for consideration and approval of the aforementioned proposals;</p> <p>(ii) the average trading price of the A Shares on the trading day preceding the date of such meetings;</p>	<p><b>Upon maturity</b></p> <p>Within five trading days upon the maturity of the A Share Convertible Corporate Bonds, the Company shall redeem all the A Share Convertible Corporate Bonds which have not been converted into A Shares by then. It is proposed that the Shareholders to authorise the Board or its authorised persons at the Shareholders' General Meetings to determine the actual redemption price upon negotiation with the sponsor (the lead underwriter) with reference to the market conditions upon the Issuance of A Share Convertible Corporate Bonds.</p> <p><b>Conditional redemption</b></p> <p>Where either of the two scenarios mentioned below occurred, the Company shall have the right to redeem all or part of the outstanding A Share Convertible Corporate Bonds, at a price equal to the nominal value of the A Share Convertible Corporate Bonds plus the then accrued interest:</p>	<p>During the last two interest accrual years within the term of the A Share Convertible Corporate Bonds issued this time, if the closing prices of the A Shares on any 30 consecutive trading days are lower than 65% of the prevailing conversion price, the Bondholders are entitled to sell back all or part of the A Share Convertible Corporate Bonds they hold to the Company at par plus the then accrued interest.</p> <p>If the actual usage of the proceeds from the Issuance of A Share Convertible Corporate Bonds differs from the undertaking of the use of proceeds set out by the Company in the Offering Document, and deemed as a change in the use of proceeds raised pursuant to the relevant rules of the CSRC or is considered by the CSRC as a change in the use of proceeds raised, the Bondholders will have a one-off right to sell the A Share Convertible Corporate Bonds back to the Company at the nominal value plus the then accrued interest.</p>





**金聯資本(企業融資)有限公司**  
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Company Name	Date of announcement	Term (years)	Basis for determining Coupon rate	Basis for determining initial conversion price	Term of downward adjustment to the conversion price	Term of redemption	Term of sale back
Shanghai Fudan Microelectronics Group Company Limited* (1385.HK; 688385.SH)	28/4/2023	6	Same	Same	<p>The adjusted conversion price shall not be lower than:</p> <p>(i) the audited net asset value per Share for the latest period; and</p> <p>(ii) the face value of Share of the Company.</p>	<p>(i) The closing prices of A Shares during at least 15 trading days out of any 30 consecutive trading days during the conversion period are no less than 125% (125% inclusive) of the prevailing conversion price;</p> <p>(ii) The total par value of the outstanding A Share Convertible Corporate Bonds is lower than RMB30 million.</p>	<p>Same, except that the threshold is the closing prices of the A shares on any 30 consecutive trading days are lower than 70% of the prevailing conversion price.</p>
						<p><b>1) Upon maturity</b> Same</p> <p><b>2) Conditional redemption</b> Same, except that the closing prices of A shares during at least 15 trading days out of any 30 consecutive trading days during the conversion period are no less than 130% (130% inclusive) of the prevailing conversion price.</p>	



Based on our independent research, the key terms of the A Share Convertible Corporate Bonds were largely the same as those of the other convertible bonds proposed to be issued by the Comparable. As advised by the management of the Company, the lower thresholds (i) represent the imposition of higher barriers which will lead to the triggering of the conversion price downward adjustment and sale back and (ii) allow the Board to early consider (but not obliged) to redeem the outstanding A Share Convertible Corporate Bonds under favourable market conditions. We are therefore of the view that the terms of the A Share Convertible Corporate Bonds are no less favourable than the Comparable. With these being the case, we are of the opinion that the terms and conditions of the Issuance of A Share Convertible Corporate Bonds are in line with the market practice.

Having considered the above, in particular that (i) the Issuance of A Share Convertible Corporate Bonds are generally in line with the market practices and are similar to those of the Comparable; (ii) the Issuance of A Share Convertible Corporate Bonds are in compliance with the Administrative Measures; and (iii) all potential subscribers of the Issuance of A Share Convertible Corporate Bonds will be subject to the same set of terms and conditions, we concur with the Directors that the terms of the Issuance of A Share Convertible Corporate Bonds are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

## RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that (i) the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the extension of the validity periods of the Resolutions Relating to the A Share Convertible Corporate Bonds are not in the ordinary and usual course of business of the Group, the extension is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant proposals to be proposed at the Shareholders' General Meetings.

\* *for identification purpose only*

Yours faithfully,  
For and on behalf of  
**Goldlink Capital (Corporate Finance) Limited**

**Vincent Cheung**  
*Managing Director*

*Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Goldlink Capital (Corporate Finance) Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.*