

15 July 2024

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**CONTINUING CONNECTED TRANSACTION –  
CCIA SERVICES FRAMEWORK AGREEMENT**

**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 the CCIA Services Framework Agreement and the respective annual caps and transactions contemplated thereunder (the “**Continuing Connected Transaction**”).

Details of the Continuing Connected Transaction are set out in the letter from the Board contained in the circular of the Company dated 15 July 2024 (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 acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company regarding (i) non-exempt continuing connected transactions, details of which are set out in the circular of the Company dated 23 December 2022; (ii) revision of annual caps for continuing connected transactions, details of which are set out in the circular of the Company dated 15 June 2023; and (iii) revision of annual caps for continuing connected transactions, details of which are set out in the circular of the Company dated 7 November 2023 (collectively, the “**Previous Appointments**”).

With regard to our independence from the Company, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the Previous Appointments as well as 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; and (ii) we have maintained our independence from the Company during the Previous Appointments. Accordingly, we consider that the Previous Appointments would not affect our independence, and that we are independent from the Company pursuant to the Listing Rules.

## **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 30 May 2024; (ii) the CCIA Services Framework Agreement; 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 CCIA Services Framework Agreement. 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, and 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 CCIA Services Framework Agreement 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 CCIA Services Framework Agreement. 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 ON THE GROUP AND CCIA

### 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.

### CCIA

CCIA is a limited liability company incorporated in the PRC and principally engaged in development of non-ferrous metal resources, concurrently engaged in engineering contracting, technical services and trading. CCIA is owned by China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd.\* (中國有色金屬建設股份有限公司) as to 55%, which is in turn owned by CNMC as to 33.34%. CNMC is a PRC state-owned enterprise directly administered by the State-owned Assets Supervision and Administration Commission of the State Council.

As of the Latest Practicable Date, Yunnan Wenshan Aluminum Co., Ltd. (雲南文山鋁業有限公司), Aluminum Corporation of China Limited (中國鋁業股份有限公司), East Hope Group Co., Ltd. (東方希望集團有限公司) and Oceanwide Energy Holdings Co., Ltd. (泛海能源控股股份有限公司) were interested in 20%, 10%, 10% and 5% of the issued share capital of CCIA, respectively.

Yunnan Wenshan Aluminum Co., Ltd. is a limited liability company incorporated in the PRC and a wholly owned subsidiary of Yunnan Aluminum Co., Ltd. (雲南鋁業股份有限公司). Yunnan Aluminum Co., Ltd. is a joint stock limited company incorporated in the PRC and is listed on the Shenzhen Stock Exchange (Stock Code: 000807). It is owned by Aluminum Corporation of China Limited as to approximately 29.1%.

Aluminum Corporation of China Limited is a joint stock limited company incorporated in the PRC and is listed on the Shanghai Stock Exchange (Stock Code: 601600) and the Stock Exchange (Stock Code: 2600). It is owned by Aluminum Corporation of China (中國鋁業集團有限公司) as to approximately 29.95%, which is in turn wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council.

East Hope Group Co., Ltd. is a limited liability company incorporated in the PRC. It is owned by East Hope Enterprise Management Co., Ltd. (東方希望企業管理有限公司) and East Hope Investment Holdings Co., Ltd. (東方希望投資控股有限公司) as to 80% and 20%, respectively. The ultimate beneficial owner of East Hope Enterprise Management Co., Ltd. and East Hope Investment Holdings Co., Ltd. is Mr. Liu Xiangyu (劉相宇), an independent third party.

Oceanwide Energy Holdings Co., Ltd. is a joint stock limited company incorporated in the PRC. It is owned by China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司) and Oceanwide Group Co., Ltd. (泛海集團有限公司) as to 80% and 20%, respectively. China Oceanwide Holdings Group Co., Ltd is owned by Oceanwide Group Co., Ltd. as to 98%. Oceanwide Group Co., Ltd. is controlled by Mr. Lu Zhiqiang (盧志強), who is an independent third party.

## 2. MAJOR TERMS OF THE CCIA SERVICES FRAMEWORK AGREEMENT

Date:	30 May 2024
Parties	(1) the Company; and (2) CCIA.
Nature of transactions:	The Group will supply certain services to CCIA, including commissioning guidance services, pre-job training services, operation and maintenance services and such other services as agreed by the parties from time to time.
Term:	29 May 2024 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on 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.

### ***Pricing policy***

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

Commissioning guidance services, pre-job training services, operation and maintenance services:	With reference to the actual workload and service quality demand of the project owner, the technical service fee standards of other overseas-funded enterprises in the CNMC Group, as well as the actual expenditure cost of the project, and is negotiated and priced by the parties based on the technical level of the participating technical service personnel (which ranges from RMB429,000 to RMB877,000 per person per annum).
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### ***Reasons for and benefits of entering into the CCIA Services Framework Agreement***

We have discussed with the Management and understand that entering into the CCIA Services Framework Agreement will facilitate the Group to fully utilize the capability of its technical know-how and technical team, increase the revenue of the Group and diversify the revenue base of the Group.

The Group has been principally engaged in operating copper production plants for over decades and its teams have extensive experience in different areas relating to the non-ferrous metals industry. We understand from the Management that CCIA is currently involved in the development of a new copper smelting production plant in Indonesia for a local project owner, and CCIA is primarily responsible for engineering, procurement and construction for the project. The project is expected to complete in around three years' time. It is intended by CCIA to employ approximately 900 personnel to support the project, out of which approximately 190 personnel are expected to be sourced from the Group. It is believed that the Group's experienced teams will be able to utilize their technical expertise to assist CCIA in operating the new copper smelting production plant for the project.

As at 31 December 2023, the Group had a total of 5,568 employees. We note that the expected 190 personnel to be provided by the Group to CCIA during the two years ending 31 December 2025 amounted to approximately 3.4% of the total number of the Group's employees. We understood from the Management that the provision of such manpower by the Group to CCIA will not have any adverse impact on its daily operations, and we also consider that such manpower does not form a majority portion of the total number of employees of the Group.

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/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 also reviewed the CCIA Services Framework Agreement and note that the basis of determining the prices for the services is clearly stated thereunder, which is primarily made with reference to the Market Price. We consider that the Company has complied with its internal control procedures as described above.

In view of the aforementioned factors, we are of the view that the pricing mechanism of the services under the CCIA 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 CCIA. The relevant arrangements include: (i) the continuing connected transactions contemplated under the CCIA Services Framework Agreement are conducted on a non-exclusive basis; (ii) upon the signing of the CCIA 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 CCIA 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 CCIA Services 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 CCIA Services Framework Agreement is in the interests of the Company and the Shareholders as a whole.

***Proposed annual caps under the CCIA Services Framework Agreement***

The table below sets out the Proposed Annual Caps for the CCIA Services Framework Agreement:

<b>Year ending 31 December 2024 Proposed annual cap (RMB'000)</b>	<b>Year ending 31 December 2025 Proposed annual cap (RMB'000)</b>
56,000	96,000

We understand that the above Proposed Annual Caps have been determined with reference to (i) the historical service fees received by the Group from other purchasers for similar services provided; (ii) the expected volume of services to be provided to CCIA; and (iii) the expected amount of service fees from the provision of commissioning guidance services, pre-job training services, and operation and maintenance services to be received by the Group in the two years ending 2025.

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 manpower team to be provided by the Group will comprise approximately 190 personnel of different technical levels, such as technical responsible officer, chief engineer, deputy chief engineer, chief technician, deputy chief technician, specialist technician etc., with monthly service fees ranging from approximately RMB35,700 to RMB73,100 per person (equivalent to approximately RMB429,000 to RMB877,000 per person per annum). We have obtained from the Company and reviewed samples of existing contract for the relevant services, and we note that the service fees to be charged by the Group under the CCIA Services Framework Agreement are in line with the said samples of existing contract.



The Proposed Annual Caps in FY2024 and FY2025 are RMB56 million and RMB96 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 Cap in FY2024 is primarily made with reference to (a) approximately 190 personnel are expected to be provided by the Group to CCIA starting from around June 2024; and (b) the relevant service fees to be derived from the approximately 190 personnel to be provided by the Group, with monthly service fees ranging from approximately RMB35,700 to RMB73,100 per person;
- (ii) the increase in the Proposed Annual Cap in FY2025 as compared with FY2024 is mainly due to the service fees to be derived from the approximately 190 personnel to be provided by the Group for the whole year 2025 as compared to approximately six months in 2024; and
- (iii) the Company has received invitation letters from CCIA which have set out the target manpower requirements under the CCIA Services Framework Agreement. We have obtained from the Management and reviewed the invitation letters, and understood that the parties have reached consensus on the target manpower requirements as stated therein. There will be no consequence or penalty on the Company for not reaching or providing the target manpower requirements.

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

### 3. 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 monthly 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 CCIA 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 CCIA Services Framework Agreement.

We concur with the view of the Directors 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.

## RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that the CCIA Services Framework Agreement (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 is 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 resolution(s) in relation to the Continuing Connected Transaction and the Proposed Annual Caps to be proposed at the SGM.

Yours faithfully,  
For and on behalf of  
**Amasse Capital Limited**

A handwritten signature in black ink, consisting of a stylized 'K' followed by a horizontal line and a short vertical stroke at the end.

**Keith Chan**  
*Director*

*Mr. Keith Chan is a licensed person registered with the Securities and Future Commission of Hong Kong and regards 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 8 years of experience in corporate finance industry.*

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