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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you have sold or transferred** all your shares in the Company, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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**Xinjiang Xinxin Mining Industry Co., Ltd.\***

**新疆新鑫礦業股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 3833)**

**CONTINUING CONNECTED TRANSACTION –  
RENEWED MUTUAL SUPPLY AGREEMENT  
AND  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

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



**Crescendo Capital Limited**

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A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 42 of this circular.

A notice convening an extraordinary general meeting of Xinjiang Xinxin Mining Industry Co., Ltd. to be held at Conference Room, Level 6, 501 Ronghe South Road, Cooperation District, Economic and Technological Development Zone, Urumqi, Xinjiang, the PRC on Tuesday, 28 December 2021 at 11:00 a.m. was despatched to the shareholders on 4 November 2021.

Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or at any adjourned meetings should you so wish.

\* *For identification purposes only*

24 November 2021

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## DEFINITIONS

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*In this circular, unless the context otherwise require, the following expressions have the following meanings:*

“Announcement”	the announcement of the Company dated 29 October 2021 which includes details of, among others, the Renewed Mutual Supply Agreement
“Articles of Association”	the articles of association of the Company
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“Company”	Xinjiang Xinxin Mining Industry Co., Ltd.* (新疆新鑫礦業股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange
“Company’s Products”	nickel cathode, copper cathode, copper concentrates, self-produced precious metals, sulphuric acid, water, electricity and other ancillary materials provided/to be provided by the Company to the Xinjiang Non-ferrous Group under the Existing Mutual Supply Agreement and the Renewed Mutual Supply Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Services”	construction-related services, including project design, construction and facilities installation provided/to be provided by the Xinjiang Non-ferrous Group to the Company under the Existing Mutual Supply Agreement and the Renewed Mutual Supply Agreement
“Director(s)”	one or all of the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Tuesday, 28 December 2021 at 11:00 a.m. at Conference Room, Level 6, 501 Ronghe South Road, Cooperation District, Economic and Technological Development Zone, Urumqi, Xinjiang, the PRC for the approval of, among other things, the procurement of the Construction Services and the supply of the Company’s Products under the Renewed Mutual Supply Agreement, the Renewed Annual Caps and the proposed amendments to the Articles of Association

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## DEFINITIONS

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“Existing Mutual Supply Agreement”	the master mutual supply agreement dated 26 October 2018 entered into between the Company and Xinjiang Non-ferrous in respect of the mutual provision of production supplies and ancillary services
“Fukang Refinery”	the refinery located in Fukang, Xinjiang where Fukang Branch of the Company (阜康冶煉廠) carries out its business activities
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB0.25 each subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, namely Mr. Hu Benyuan, Mr. Wang Qingming and Mr. Lee Tao Wai, to advise the Independent Shareholders in respect of the procurement of the Construction Services and the supply of the Company’s Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps
“Independent Financial Adviser” or “Crescendo Capital”	Crescendo Capital Limited, a corporation licensed to carry out type 6 regulated activities (advising on corporate finance) under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the procurement of the Construction Services and the supply of the Company’s Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps
“Independent Shareholders”	in respect of the transactions for the procurement of the Construction Services and the supply of the Company’s Products under the Renewed Mutual Supply Agreement, shareholders of the Company other than Xinjiang Non-ferrous and its Associates
“Independent Third Party(ies)”	third party independent of and not connected with the Company and its connected persons

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## DEFINITIONS

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“Kalatongke Mining”	Xinjiang Kalatongke Mining Company Limited, a wholly-owned subsidiary of the Company with business activity of operating a mine of nickel and copper
“Latest Practicable Date”	18 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NDRC”	National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC)
“Renewed Annual Cap(s)”	the annual cap(s) for the provision of the Construction Services and the Company’s Products under the Renewed Mutual Supply Agreement for the three years ending 31 December 2024
“Renewed Mutual Supply Agreement”	the master mutual supply agreement dated 29 October 2021 entered into between the Company and Xinjiang Non-ferrous in respect of the mutual provision of the Construction Services, the Supporting and Ancillary Services and the Company’s Products, details of which are set out in the Announcement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

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## DEFINITIONS

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“Supporting and Ancillary Services”	services provided/to be provided by the Xinjiang Non-ferrous Group to the Group under the Existing Mutual Supply Agreement and the Renewed Mutual Supply Agreement which include: (i) production supplies, transportation and supporting services: supplemental production materials (including copper concentrates, chemical materials, coal, coke and product packaging materials) and work safety products; (ii) storage, transportation and loading services: warehousing services in Beijing for the sales and distribution of nickel cathode to the Company’s end-customers in Beijing and its surrounding areas, Hebei province and the north-eastern region of the PRC; transportation service for the delivery of materials including coke and coal; and (iii) other supporting and ancillary services: machinery repair and improvement; geological exploration in the mining areas
“Xinjiang CNPC”	China National Petroleum Corporation (中國石油天然氣集團公司), Xinjiang branch
“Xinjiang Non-ferrous”	Xinjiang Non-ferrous Metal Industry (Group) Ltd.* (新疆有色金屬工業(集團)有限責任公司), a wholly state-owned enterprise with limited liability and incorporated in the PRC, being one of the promoters and the controlling shareholder of the Company
“Xinjiang Non-ferrous Group”	Xinjiang Non-ferrous and its subsidiaries excluding the Company, its subsidiaries and Associates
“Xinjiang Zhongxin”	Xinjiang Zhongxin Mining Company Limited* (新疆眾鑫礦業有限責任公司), a non-wholly owned subsidiary of the Company held as to 97.58% by the Company
“Yakesi”	Xinjiang Yakesi Resources Co. Ltd* (新疆亞克斯資源開發股份有限公司), a wholly-owned subsidiary of the Company
“%”	per cent.

\* For identification purposes only

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## LETTER FROM THE BOARD

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**Xinjiang Xinxin Mining Industry Co., Ltd.\***

**新疆新鑫礦業股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 3833)**

*Executive Directors:*

Mr. Qi Xinhui

Mr. Yu Wenjiang

*Non-executive Directors:*

Mr. Zhang Guohua

Mr. Zhou Chuanyou

Mr. Guo Quan

Mr. Hu Chengye

*Independent Non-executive Directors:*

Mr. Hu Benyuan

Mr. Wang Qingming

Mr. Lee Tao Wai

*Statutory address and principal place of  
business in the PRC:*

3/F, Tower 1,

Business Residence Community of Youse  
Mingyuan Science and Technology Park  
No. 52, East 2<sup>nd</sup> Lane, Binhe Middle Road,  
Saybagh District, Urumqi, Xinjiang

*Registered office in Hong Kong:*

9/F The Center

99 Queen's Road Central

Central, Hong Kong

24 November 2021

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION –  
RENEWED MUTUAL SUPPLY AGREEMENT  
AND  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**INTRODUCTION**

Reference is made to the Announcement.

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## LETTER FROM THE BOARD

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The purpose of this circular is:

- (1) to give you details of the procurement of the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps;
- (2) to set out the recommendation of the Independent Board Committee in respect of the procurement of the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps;
- (3) to set out the letter of advice from Crescendo Capital to the Independent Board Committee and the Independent Shareholders in respect of the procurement of the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps; and
- (4) to give you details of the proposed amendments to the Articles of Association.

### RENEWED MUTUAL SUPPLY AGREEMENT

Date: 29 October 2021

Parties: The Company and Xinjiang Non-ferrous

Term: 1 January 2022 to 31 December 2024

### Subject Matter

On 26 October 2018, the Company and Xinjiang Non-ferrous entered into the Existing Mutual Supply Agreement in respect of the mutual provision of the Construction Services, the Supporting and Ancillary Services and the Company's Products. The Existing Mutual Supply Agreement will expire on 31 December 2021.

On 3 November 2020, the Company published a circular in respect of the revisions of annual caps relating to the procurement of Construction Services and the supply of the Company's Products under the Existing Mutual Supply Agreement for the two years ending 31 December 2021. Such revisions to the abovementioned annual caps were approved by the Independent Shareholders on 18 December 2020.

On 29 October 2021, the Company and Xinjiang Non-ferrous entered into the Renewed Mutual Supply Agreement in respect of the continuing provision of the Construction Services, the Supporting and Ancillary Services and the Company's Products.



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## LETTER FROM THE BOARD

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### **Term**

The principal terms of the Renewed Mutual Supply Agreement include the followings:

- the Renewed Mutual Supply Agreement is for a term commencing from 1 January 2022 and ending on 31 December 2024 which may be renewed upon agreement by Xinjiang Non-ferrous and the Company, subject to the approval by the Stock Exchange and/or the Independent Shareholders, if applicable;
- the Company and the Xinjiang Non-ferrous Group are at liberty to procure from or provide to any Independent Third Party any of the required services and products save and except that Xinjiang Non-ferrous Group must provide the Company with services or supplies on terms no less favourable than those offered to any Independent Third Party;
- each party of the Renewed Mutual Supply Agreement may terminate the mutual provision of products and services on not less than six months' prior written notice. However, Xinjiang Non-ferrous Group may not terminate its service if the Company has informed them by written notice that the Company is unable to obtain similar products and services from an Independent Third Party (save that the Company has provided written consent to the termination by Xinjiang Non-ferrous Group); and
- the Renewed Mutual Supply Agreement is conditional and effective upon it having complied with the relevant Listing Rules and approved by the Independent Shareholders, if applicable.

The Xinjiang Non-ferrous Group has agreed to provide the Company with the Construction Services and the Supporting and Ancillary Services. The Company has agreed to provide the Company's Products to Xinjiang Non-ferrous Group.

### **Consideration**

The fees in relation to the products, supplies and services payable between the Company and Xinjiang Non-ferrous during the term of the Renewed Mutual Supply Agreement are determined principally by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market prices of the mutual supply services from time to time. Such transactions will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) Independent Third Parties.

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## LETTER FROM THE BOARD

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In order to ensure that such principles are adhered to, the Company has adopted the following internal procedures:

- (1) In respect of the supply of products/services by Xinjiang Non-ferrous Group under the Supporting and Ancillary Services, the relevant officer of the Finance Department will check the prices of such products/services under the relevant invoices issued by Xinjiang Non-ferrous Group and the Company and compare such prices with the prevailing market prices of such products/services if they are supplied by/to other Independent Third Parties. The finance manager will check the aforementioned pricing comparison performed by the finance officer and the financial controller will only approve the relevant invoices after he has ensured that such prices will be on terms not less favourable to the Company than terms available to/from (as appropriate) Independent Third Parties.

Further, the internal audit department of the Company will perform annual audit of the invoices to/from Xinjiang Non-ferrous Group with reference to the prevailing market prices of the relevant products/services and ensure that the abovementioned principle is adhered to.

- (2) In respect of the provision of Construction Services by Xinjiang Non-ferrous Group, the service fees payable will be determined with reference to the prevailing market prices under general commercial terms. Pursuant to the internal guidance of the Company on the construction projects, the Company is required to select service providers for all major construction projects, including the technical improvement projects, through an open tender process (the “**Tendering Process**”), through which the price and terms of services offered by the vendors will be compared and the service contracts will be awarded to vendor(s) which offer(s) the best price and/or terms of service. In addition to the tender from Xinjiang Non-ferrous Group, there will be at least two or more valid tenders to be obtained from Independent Third Parties for a comparable volume and similar service. The Tendering Process is that tenders with the highest scores, which are rated by the tender evaluation committee based on the same objective selection criteria such as qualification, resources, experience and technical expertise of the tenders, reputation and quality of work and pricing and terms of service, are to be selected. Tender evaluation committee of the Company consists of the general manager, deputy general manager, financial controller, chairman of board of supervisors, secretary of the Party Commission for Discipline Inspection of the Company; and managers from Safety Production and Security Department, Sales Department, Internal Audit Department and internal experts. In case Xinjiang Non-ferrous Group is the only bidder/tenderer of the service transaction, the Company would not proceed with the transaction.

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## LETTER FROM THE BOARD

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### Pricing Policies

The mutual supply services will be provided according to the following pricing policies in order of priority and to be settled on a monthly basis:

- the State-prescribed price (國家指定價) (including any price prescribed by any relevant local government), if applicable;
- where there is no State-prescribed price, then the State-guidance price (國家指導價);
- where there is neither a State-prescribed price nor a State-guidance price, the market price which is determined by (i) the price offered by an Independent Third Party for providing similar services in an area where such supporting services are provided under general commercial terms, or (ii) where not applicable, the market price offered by an Independent Third Party for providing similar services in the PRC under general commercial terms;
- where none of the above is applicable, the price shall be determined by the cost-plus method, parties to determine price based on reasonable costs <sup>(Note)</sup> incurred by them in providing the services plus a profit margin of not more than 5% of such reasonable costs <sup>(Note)</sup>; and
- the Company and Xinjiang Non-ferrous will ensure that any specific agreements which set out the specific terms and conditions for the provision of any such services are entered into between the parties in accordance with the terms and conditions of the Renewed Mutual Supply Agreement.

*Note:* The profit margin of not more than 5% is arrived at after negotiation between the parties and the reasonable costs are the costs (including relevant taxes and surcharges) as calculated under the Accounting Standards for Business Enterprises of the PRC and the Directors are of the view that such profit margin is fair and reasonable.

In respect of the provision of Construction Services by Xinjiang Non-ferrous Group, the service fees payable will be determined with reference to the price as determined by the Tendering Process. For details of the Tendering Process, please refer to the paragraph headed “Consideration” above.

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## LETTER FROM THE BOARD

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In respect of the provision of Supporting and Ancillary Services by Xinjiang Non-ferrous Group, the fees payable by the Company will be determined according to the following pricing policy:

- |   |   |
|---|---|
| – transportation services:  | The best bid price as determined by the Tendering Process |
| – supply of gasoline and diesel:  | State-prescribed price                                    |
| – supply of coal and coke, production indirect and supplementary materials, packaging materials, parts and services for machinery repairs and maintenance; and labor safety and protection and sundry supplies: | The best bid price as determined by the Tendering Process |

State-prescribed prices for gasoline and diesel are updated by the Xinjiang CNPC (新疆中石油) based on the notice published by the NDRC from time to time depending on the changes in the international oil and gas market prices. As at the Latest Practicable Date, the State-prescribed prices for gasoline and diesel are RMB7.47/liter for No. 92 gasoline, and RMB7.10/liter for No. 0 diesel.

Since none of the previous transactions regarding the Supporting and Ancillary Services and the Company's Products were transacted based on the cost-plus method as all the Supporting and Ancillary Services and the Company's Products have a State prescribed price, a State-guidance price or a market price (as appropriate), the Company expects that the prices of the Supporting and Ancillary Services and the Company's Products would continue to be determined by reference to the best bid price under the Tendering Process and in compliance with the State-prescribed price or the State-guidance price, if any, in the future.

The Company will provide the Company's Products to Xinjiang Non-ferrous Group at market prices which are to be determined as afore-mentioned. Since the prices of all the existing Company's Products can be determined with reference to the prevailing market prices, the Company expects that the pricing of the supply of the Company Products will not be based on the cost-plus method. Up to and as at the Latest Practicable Date, State-prescribed price and State-guidance price have never been applicable to the Company's Products as they have never been included in any category for the State-prescribed price or the State-guidance price.

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## LETTER FROM THE BOARD

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### Internal Control Measures Relating To Pricing Policies

For Construction Services and Supporting and Ancillary Services under the Renewed Mutual Supply Agreement, the engineering department or the user department of the subsidiaries of Company and its designated persons will obtain quotations or tenders of the services from at least two independent third parties for a comparable volume and similar services and ascertain the pricing of the quotations or tenders of the suppliers according to the above pricing policy. The service price of each service and contract price of each construction contract will be reviewed and be approved by the head of the engineering department of the subsidiaries of the Company for preparation of the final contracts. Individual contracts for construction projects and Supporting and Ancillary Services under the Renewed Mutual Supply Agreement are reviewed and approved by the general manager of the Company.

For the sales of the Company's Products to Xinjiang Non-ferrous Group under the Renewed Mutual Supply Agreement, the sales department of the Company and its designated persons will submit the sales orders to the Finance Department of the Company with the required quantities who will then check into the spot rates of the metal products from Shanghai Yangtze River Non-ferrous Metals Spot Market (official website: [www.ccmn.cn](http://www.ccmn.cn) 長江有色金屬網) for preparation of formal sales invoices. Upon the receipt of payments from the customers, the Finance Department will acknowledge the sales department for preparation of the goods delivery notes for warehouse to deliver products to customers.

\* 長江有色金屬網([www.ccmn.cn](http://www.ccmn.cn)) is one of the leading Internet business platform hosted by Grand River (Xiamen) Information Technology Co., Ltd. The network provides the "spot prices of non-ferrous metals market framework" by logical-mathematical theories and experience, so that the metal offers are closer to the market; now mainly releases six basic non-ferrous metal prices (copper, aluminum, zinc, tin, lead and nickel). The Directors consider that such platform is a market-recognized platform in relation to trading and/or pricing information of the relevant non-ferrous metal products.

Quotations or tenders of the Construction Services and Supporting and Ancillary Services, payments of material requests, collections of sales invoices and goods delivery notes are subject to the internal audit procedures of the Company on a periodical basis.

For the supply of Supporting and Ancillary Services, that is, transportation services, and supply of coal and coke, production indirect and supplementary materials, packaging materials, parts and services for machinery repairs and maintenance; and labour safety and protection and sundry supplies, the user department of the subsidiaries of the Company and its designated persons will submit material request forms or purchase orders of services to the Finance Department of the subsidiaries of the Company with the required quantities who will then conduct check on the prevailing market price and/or the unit price of similar products or services to be purchased from other independent third parties in order to ensure the actual price of the Supporting and Ancillary Services would be determined on normal commercial terms and on terms not less favourable to the Company than terms offered by Independent Third Parties.

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## LETTER FROM THE BOARD

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Different levels of the Finance Department of the Company would also perform independent checks on the unit price charged by the Xinjiang Non-ferrous Group and compare such price with the prevailing market price and/or the unit price of similar products to be purchased from other Independent Third Parties during the relevant period before payment is made. For the supply of gasoline and diesel, the unit prices will be checked against the State-prescribed prices given by the Xinjiang CNPC. The internal audit department of the Company would perform annual audit of the invoices to/from Xinjiang Non-ferrous Group with reference to the prevailing market prices and the State-prescribed prices of the relevant products and ensure that the above internal procedures were adhered to.

For the supply of geological exploration service in the mining areas by Xinjiang Non-ferrous Group, if any, the pricing policy is the prevailing market price through the tender process which is the same as that of the supply of Construction Services. The internal control measures relating to the pricing policy in respect of geological exploration would be the same as that of the supply of Construction Services.

In respect of sales of the Company's Products to Xinjiang Non-ferrous Group, which mainly consist of copper cathode, copper concentrates and other products, and in order to ensure each sales transaction will be on terms no more favourable to Xinjiang Non-ferrous Group than to other Independent Third Parties, the pricing of each sales transaction is determined by the Sales Department based upon the spot price of the product from Shanghai Yangtze River Nonferrous Metals Spot Market and be approved by the Sales Department manager and checked by the Finance Department manager and final approved by the Pricing Committee of the Company. The Pricing Committee of the Company consists of the general manager, financial controller and the managers of the Sales Department and the Finance Department of the Company. The proportion of sales of copper cathode to Xinjiang Non-ferrous Group as to the total sales of copper cathode of the Group is expected to be less than 4.6% for the year ending 31 December 2021, while the planned proportion of sales will be approximately 5.0% for each of the three years ending 31 December 2024.

Accordingly, the Directors believe that the above methods and procedures can ensure that the relevant continuing connected transactions will be conducted in accordance with the terms (including pricing policy) provided under the Renewed Mutual Supply Agreement and such transactions will be conducted on normal commercial terms and in the interest of the Company and Shareholders as a whole.

## LETTER FROM THE BOARD

### Historical figures

The fees paid by the Group to Xinjiang Non-ferrous Group in relation to the provision of Construction Services and the Supporting and Ancillary Services by Xinjiang Non-ferrous Group and the fees received by the Group for the provision of Company's Products to the Xinjiang Nonferrous Group under the Existing Mutual Supply Agreement for each of the two years ended 31 December 2020 and the nine months ended 30 September 2021 are set out below:

	Transaction amounts for the year ended 31 December 2019 (RMB)	Transaction amounts for the year ended 31 December 2020 (RMB)	Transaction amounts for the nine months ended 30 September 2021 (RMB)
The Construction Services fees under the Existing Mutual Supply Agreement	73,714,406 (Annual cap: 96,300,500)	72,722,938 (Annual cap: 110,281,000*)	38,345,680 (Annual cap: 92,620,000*)
The Supporting and Ancillary Services fees under the Existing Mutual Supply Agreement	41,892,613 (Annual cap: 78,663,700)	41,205,380 (Annual cap: 82,245,000)	32,163,168 (Annual cap: 87,801,870)
The Company's Products fees received under the Existing Mutual Supply Agreement	83,949,922 (Annual cap: 84,223,289)	104,945,734 (Annual cap: 126,138,000*)	70,968,576 (Annual cap: 133,347,000*)

\* *These annual caps were revised and approved at the extraordinary general meeting of the Company held on 18 December 2020.*

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## LETTER FROM THE BOARD

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### Proposed Annual Caps

The Directors have considered and proposed the following annual caps in respect of the services fees under the Renewed Mutual Supply Agreement:

For the years ending 31 December	2022 (RMB)	2023 (RMB)	2024 (RMB)
Annual caps for the Construction Services fees under the Renewed Mutual Supply Agreement (A)	291,790,000	204,720,000	117,090,000
Annual caps for the Supporting and Ancillary Services fees under the Renewed Mutual Supply Agreement (B)	113,633,310	119,013,110	127,455,090
Annual caps for the Company's Products fees under the Renewed Mutual Supply Agreement (C)	176,229,290	201,442,280	224,729,530

In determining the above annual caps for the three years ending 31 December 2024 under the Renewed Mutual Supply Agreement, the Directors have taken into account (i) the historical transaction amounts for the Construction Services fees, the Supporting and Ancillary Services fees and the Company's Products fees for the two years ended 31 December 2020 and nine months ended 30 September 2021; (ii) the Company's expansion plan and the increase in construction projects, leading to an increase in demand for the Construction Services; (iii) the anticipated increase in ore output and expected production volume of nickel cathode and copper cathode, thereby resulting in an increase in demand for the Supporting and Ancillary Services; (iv) the expected increase in the selling prices of the Company's Products, in particular, copper concentrates and copper cathode; and (v) the anticipated general inflation in the PRC in the next three years. For further details of the basis of each of the annual caps for the Construction Services fees, the Supporting and Ancillary Services fees and the Company's Products fees under the Renewed Mutual Supply Agreement for the three years ending 31 December 2024, please refer to the sections below.

#### **(A) The Construction Services fees**

The Construction Services fees under the Existing Mutual Supply Agreement for the year ending 31 December 2021 are expected to be amounted to approximately RMB82.56 million. The annual caps for the Construction Services fees under the Renewed Mutual Supply Agreement for the years ending 31 December 2022, 2023 and 2024, compared to the expected Construction Services fees under the Existing Mutual Supply Agreement for the year ending 31 December 2021 of approximately RMB82.56 million, represent expected increases of approximately RMB209.23 million, RMB122.16 million and RMB34.53 million, respectively. Such increases are mainly attributable to (i) certain existing projects which were expected to have completed by 2021 were delayed due to the outbreak of the COVID-19 and as such, certain projects were postponed to 2022; (ii) the increase in construction projects, which will be elaborated below; and (iii) the expected construction progress of the existing and planned projects.



## LETTER FROM THE BOARD

In assessing the annual caps for the Construction Services under the Renewed Mutual Supply Agreement, the Directors assumed the budgeted amounts as below:

For the years ending 31 December	2022 <i>RMB'000</i> <i>(approximately)</i>	2023 <i>RMB'000</i> <i>(approximately)</i>	2024 <i>RMB'000</i> <i>(approximately)</i>
– Kalatongke Mining (i)	171,790	98,720	53,090
– Fukang Refinery (ii)	50,000	36,000	14,000
– Yakesi (iii)	65,000	45,000	25,000
– Xinjiang Zhongxin (iv)	5,000	25,000	25,000
Total	<u>291,790</u>	<u>204,720</u>	<u>117,090</u>

### Basis of determining the budgeted amounts for the new and existing projects

The table below sets forth the details of the budgeted amounts for the major projects in need of the Construction Services under the Renewed Mutual Supply Agreement:

	2022 <i>RMB'000</i> <i>(approximately)</i>	2023 <i>RMB'000</i> <i>(approximately)</i>	2024 <i>RMB'000</i> <i>(approximately)</i>
<b>(i) Kalatongke Mining</b>			
Warehouse for products and waste residues	27,000	8,500	0
Comprehensive office building and staff dormitory projects	60,000	50,000	15,000
Upgrade and transformation of ore-processing system and installation of smelting equipment for acid-making	12,000	3,500	0
Insulation and painting projects for the building exterior wall of the plants	11,000	500	0
Environmental protection and energy saving projects for the utilization of water slag resources and waste heat utilization	42,000	21,000	20,000
Renovation of auxiliary facilities of airshaft	3,090	3,220	6,090
Renovation of smoke ring set system and finishing projects of staff canteen (delayed project)	4,700	0	0
Sundry equipment installation and maintenance engineering	12,000	12,000	12,000
	<u>171,790</u>	<u>98,720</u>	<u>53,090</u>

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## LETTER FROM THE BOARD

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The Company is currently undergoing three main projects in relation to Kalatongke Mining, including staff canteen construction project, material warehouse construction project and renovation of smoke ring set system project. These projects were originally planned to be completed in 2021, but the construction progress was adversely affected by the COVID-19 epidemic in 2020. Therefore, the construction works of these existing projects are postponed to 2022. The fees for the Construction Services in respect of these delayed projects amount to RMB4,700,000 in 2022.

During 2022 to 2024, the Company has planned to carry out several upgrade, technological renovation and expansion projects in relation to Kalatongke Mining.

For example, taking into account (i) the Outline of the 14th Five-Year Plan for National Economic and Social Development of the PRC and the Long-Range Objectives Through the Year 2035, which encourages enterprises in putting resources on talent development planning and improving employees' work environment so as to retain talents; and that (ii) Kalatongke Mining has been built for more than 30 years with aging infrastructure, the Company intends to carry out the comprehensive office building and staff dormitory project so as to improve the working environment of Kalatongke Mining for the workers and enhance the hardware conditions of Kalatongke Mining.

Further, in accordance with the requirements of the Prevention and Control of Environmental Pollution by Solid Waste of the PRC for the purpose of the prevention of dispersion and loss of solid waste and production raw materials, the Company intends to construct several warehouses for products and waste residues with an aim to prevent material dispersion and materials loss as well as reducing the materials handling cost.

In addition, with an aim to improve the mining production capacity, ore-processing capacity and smelting capacity of Kalatongke Mining and taking into account the stringent environmental standards as required by the PRC government policies, such as the implementation of Thermal Power Plant Air Pollutant Emission Standards, the Boiler Air Pollutant Emission Standards, the Announcement Concerning the Implementation for Special Emission Limits for Key Pollutants, the Guidance of the State Council on Accelerating the Establishment and Improvement of a Green and Low- carbon Cyclic Development Economic System, the Standard for Pollution Control on the General Industrial Solid Waste Storage and landfill, and the Notice of the State Council on Printing and Distributing the Action Plan for Peak Carbon Emissions by 2030 issued by the Environmental Bureau of the Xinjiang Uygur Autonomous Region in 2017 and 2018, the Company intends to carry out several upgrade and technological renovation projects for Kalatongke Mining.

Similarly, several technological improvement and environmental protection projects are also planned to be carried out for Fukang Refinery, Yakesi and Xinjiang Zhongxin.

## LETTER FROM THE BOARD

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
<b>(ii) Fukang Refinery</b>			
Electrolytic cell renovation projects	6,000	3,000	–
External wall insulation projects	4,000	3,000	4,000
Sewage advanced treatment projects	30,000	20,000	–
Various safety, environmental protection and maintenance projects	10,000	10,000	10,000
	<u>50,000</u>	<u>36,000</u>	<u>14,000</u>
<b>(iii) Yakesi</b>			
Sundry projects in mining and processing plants	5,000	5,000	5,000
Technical transformation of mining projects	10,000	10,000	10,000
Airshaft <sup>1</sup> and ancillary facilities renovation	15,000	0	–
Upgrading of tailings pond	15,000	0	0
Expansion project of the 10,000 tonnes ore processing plant	0	30,000	10,000
Water pipeline repair and replacement project	20,000	–	–
	<u>65,000</u>	<u>45,000</u>	<u>25,000</u>
<b>(iv) Xinjiang Zhongxin</b>			
Environmental protection skills technical transformation project for smelting	0	20,000	20,000
Sundry repair and maintenance works	5,000	5,000	5,000
	<u>5,000</u>	<u>25,000</u>	<u>25,000</u>

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## LETTER FROM THE BOARD

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**(B) *The Supporting and Ancillary Services fees***

The Supporting and Ancillary Services fees under the Existing Mutual Supply Agreement for the year ending 31 December 2021 is expected to be amounted to approximately RMB41.81 million. The annual caps for the Supporting and Ancillary Services fees under the Renewed Mutual Supply Agreement for the years ending 31 December 2022, 2023 and 2024, compared to the expected Supporting and Ancillary Services fees under the Existing Mutual Supply Agreement for the year ending 31 December 2021 of approximately RMB41.81 million, represent expected increases of approximately RMB71.82 million, RMB77.20 million and RMB85.65 million, respectively. Such increases are mainly attributable to (i) the expected increase in demand for ore mining services (including but not limited to, ore mining, crushing, filling and maintenance services), transportation services and chemical materials taking into account the expected increase in ore output and production volume of nickel cathode and copper cathode for the three years ending 31 December 2024; and (ii) the increase in the prices of utilities, raw materials and other supporting and ancillary services taking into account the anticipated general inflation in the PRC in the next three years.

The Company anticipates that following the change of its ore mining method from caving method to filling method during 2022 to 2024, the Company's annual ore output is expected to further increase at a compound annual growth rate of approximately 19% from 2022 to 2024. As such, the corresponding demand for ore mining services, such as ore mining, crushing, filling and maintenance services, will also substantially increase. Further, given that (i) the market demand of nickel and refined copper in the PRC is projected to be on a rising trend in the next few years; (ii) the Group has recorded an increase of approximately 46.5% in the sales volume of copper cathode in 2020 as compared to that of 2019; and (iii) the Company's capacity expansion plan for production of nickel cathode, the Company expects it will fully utilise its production capacity and increase its production volume of nickel cathode and copper cathode to cope with the market demand in the coming years.

In light of the anticipated increase in ore output and expected production volume of nickel cathode and copper cathode for the three years ending 31 December 2024, the Company expects that the demand for the Supporting and Ancillary Services (such as transportation services and demand for chemical materials), for the production of nickel cathode and copper cathode will also increase correspondingly.

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## LETTER FROM THE BOARD

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In assessing the annual caps for the Supporting and Ancillary Services under the Renewed Mutual Supply Agreement, the Directors assumed the budgeted amounts as below:

**For the years ending**

<b>31 December</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
– Ore exploration services	29,452	36,583	42,745
– Transportation services	17,300	17,300	17,300
– Purchase of chemical materials	26,942	26,942	28,182
– Other supporting and ancillary services	39,940	38,189	39,229
	<hr/>	<hr/>	<hr/>
Total	113,634	119,014	127,456
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**(C) The Company's Products fees**

The Company's Products fees under the Existing Mutual Supply Agreement for the year ending 31 December 2021 is expected to be amounted to approximately RMB133.35 million. The annual caps for the Company's Products fees under the Renewed Mutual Supply Agreement for the years ending 31 December 2022, 2023 and 2024, compared to the expected Company's Products fees under the Existing Mutual Supply Agreement for the year ending 31 December 2021 of approximately RMB133.35 million, represent approximately increases of RMB42.88 million, RMB68.09 million and RMB91.38 million, respectively. Such increases are mainly attributable to the expected increase in the selling prices of the Company's Products in particular copper concentrates and copper cathode in the next three years and the budgeted amounts of copper concentrates to be supplied to Xinjiang Non-ferrous Group.

In assessing the annual caps for the sales of the Company's Products under the Renewed Mutual Supply Agreement, the Directors assumed (i) the increase in the market prices of the Company's Products, in particular: copper concentrates and copper cathode, which was based on the analysis of historical market prices of copper for the past ten years and the projection of copper market prices for the next three years as illustrated in the table below, demonstrating in an upward trend of copper market prices since 2016, and (ii) the increase in budgeted amounts as below:

## LETTER FROM THE BOARD

**For the years ending**

**31 December**

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Sales of copper concentrates	82,977	102,461	119,111
Sales of copper cathode	30,973	31,858	33,186
Sales of other Company's Products	62,279	67,123	72,433
<b>Total</b>	<b>176,229</b>	<b>201,442</b>	<b>224,730</b>

The table below sets forth the Directors' assumption of the budgeted sales volume and the projected market unit price of copper concentrates and copper cathode:

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>forecast</i>	<i>budget</i>	<i>budget</i>	<i>budget</i>
Sales of copper concentrates ( <i>tonnes</i> )				
( <i>Note 1</i> )	727	1,500	1,800	2,000
Unit price ( <i>RMB per tonne</i> )( <i>Note 1</i> )	54,282.43	55,318.32	56,923.02	59,555.48
Sales of copper cathode ( <i>tonnes</i> )	396	500	500	500
Unit price ( <i>RMB per tonne</i> )	60,031.87	61,946.90	63,716.81	66,371.68

*Note 1:* In respect of the estimated unit price of copper concentrate of RMB11,869 per tonne in 2021 as disclosed on page 13 of the Company's circular dated 20 November 2018 ("**2018 Circular**"), such estimated unit price refers to the unit price of copper concentrate (in natural weigh (自然噸)). Taking into account the fact that for each tonne of copper concentrate in natural weigh, there are only approximately 25% of metal-contents, if the Company was to disclose the unit price per tonne of metal-contents weigh of copper concentrates in the 2018 Circular, the estimated unit price of copper concentrate (in metal-contents weigh) for 2021 would have been approximately RMB47,476 per tonne (i.e.  $\text{RMB}11,869 \div 0.25 = \text{RMB}47,476$ ). As for the unit price per tonne of copper concentrates as disclosed in the table above, it is referred to the unit price per tonne of copper metal in copper concentrate (in metal-contents weigh).

### *Forecasted upturn of copper price*

The proposed annual caps for the Company's Products fees are based on the assumption that the market price of copper, the major product, will increase in the forthcoming three years, namely: the price of copper concentrate is RMB55,318.32, RMB56,923.02 and RMB59,555.48 per tonne. As compared to the 2021 forecast average unit price of RMB54,282.43 per tonne, the budgeted market prices of copper concentrate represent a growth rate of 1.91%, 4.86% and 9.71% in 2022, 2023 and 2024, respectively; the price of copper cathode is RMB61,946.90, RMB63,716.81 and RMB66,317.68 per tonne. As compared to the 2021 forecast average unit price of RMB60,031.87 per tonne, the budgeted market prices of copper represent a growth rate of 2.39%, 5.32%, 10.30% in 2022, 2023 and 2024, respectively.

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## LETTER FROM THE BOARD

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The Company has taken into account a potential upturn of copper market prices in arriving at the annual caps of the Company's Products fees which is basically consistent with the overall view of the major copper industry players (for example, the vice general manager of sales department of Xinjiang Wuxin Copper Industry Company Limited (新疆五鑫銅業有限責任公司), the largest copper cathode producer and supplier in Xinjiang) and commodity futures dealers (for example, the manager and future commodity trader of China Chengtong Commodity Trading Company Limited (中國誠通商品貿易有限公司)). During the budget process, in addition to the internal analysis of historical copper price, the Board also made reference to the followings: (i) in a research report titled "Goldman Sachs remains bullish on copper prices and forecasts it will reach US\$11,000 per tonne by the end of the year" (<https://news.smm.cn/news/101549813>) in August, Goldman Sachs reiterated its bullish forecast for copper prices of US\$11,000 per tonne (slightly below US\$5 per pound) by the end of the year and US\$11,500 per tonne during same period next year; (ii) a foreign media news titled "Saxo Bank analyst expects copper price to return to upward trend sometime in the fourth quarter" (<https://news.91jinshu.com/tong/202110/31140.html>) on 10 October: Ole Hansen, an analyst of Saxo Bank, stated in a research report that if copper prices surpass US\$10,000 per tonne, it could be a sign of re-challenging to the historical record high; (iii) a new report titled "Moody: Copper price will remain at the high range by the end of 2022" (<https://cj.sina.com.cn/articles/view/2275380050/879f8b5200100veqm>), in September from Moody's Investor Services found that most of the basic metal prices showed signs of stabilisation in 2022. Compared with the historical average, copper prices are expected to remain strong at least at the end of 2022, while structural deficits will keep copper prices high in the long run, and allowing a certain percentage of buffer to accommodate any probable upward price fluctuation during the upcoming three years from 2022 to 2024, for example, the recent devaluation of Renminbi as compared to US currency.

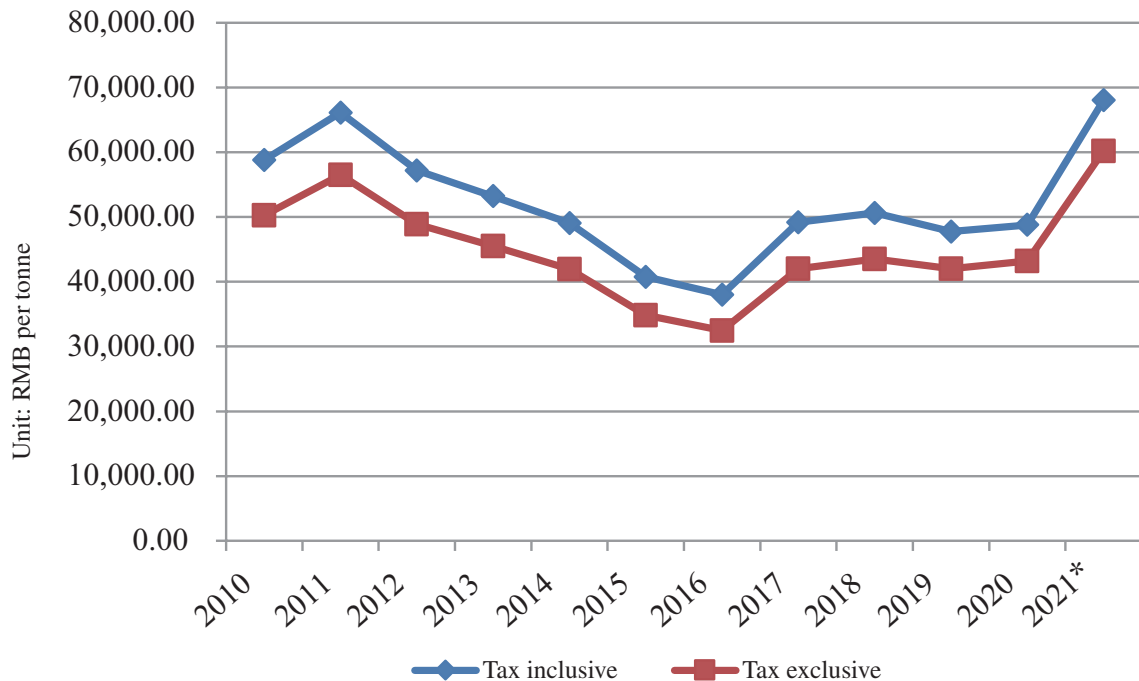
*Note: all unit prices of commodities are stated excluding tax*

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## LETTER FROM THE BOARD

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### *Internal analysis of historical copper price for the past ten years*



\* Up to October 2021

### **Reasons for and benefits of entering into the Renewed Mutual Supply Agreement**

The Company entered into the Renewed Mutual Supply Agreement to continue to procure from and provide to the Xinjiang Non-ferrous Group services for the following reasons:

- the Xinjiang Non-ferrous Group has an established system of mining, ore processing, smelting, processing, repairing, manufacturing, equipment installation, construction, transportation, storage, design, and it has competitive strengths over other suppliers of similar services in Xinjiang;
- the Company's smelting operation is enhanced by the capability and techniques of the Xinjiang Non-ferrous Group in designing and producing non-standardised production facilities and equipment;
- the design institute of the Xinjiang Non-ferrous Group has the expertise in the design of production facilities in respect of mining, ore processing and refining of non-ferrous and precious metals and they are familiar with the Company's production sites, facilities and equipment;



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## LETTER FROM THE BOARD

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- the Xinjiang Non-ferrous Group has an experienced and stable construction team in shafts construction and facilities installation; and
- the automobile transportation companies, the materials procurement company and the storage warehouse of the Xinjiang Non-ferrous Group are able to provide the Company with a stable supply of materials, transportation services and warehousing services.

The Directors are of the view that the terms of the Renewed Mutual Supply Agreement (including the terms of the procurement of the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement) were entered into on normal commercial terms and such terms and the relevant annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

### INFORMATION RELATING TO THE COMPANY

The Company is principally engaged in the mining, ore processing, smelting and refining of nickel, copper and other non-ferrous metals, which include cobalt and precious metals such as gold, silver, platinum and palladium.

### INFORMATION RELATING TO XINJIANG NON-FERROUS

Xinjiang Non-ferrous is principally engaged in, among other things, investment in non-ferrous metal industry and sale of non-ferrous metal products.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Xinjiang Non-ferrous is the controlling shareholder (as defined in the Listing Rules) of the Company and is beneficially interested in 885,204,000 domestic shares of the Company, representing approximately 40.06% of the entire issued share capital of the Company. Accordingly, Xinjiang Non-ferrous is a connected person of the Company and the entering into each of the Renewed Mutual Supply Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the respective annual caps for the three years ending 31 December 2024 in relation to the continuing connected transactions for the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement exceed 5% on an annual basis, the continuing connected transactions in relation thereto are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the three years ending 31 December 2024 in relation to the continuing connected transactions for the Supporting and Ancillary Services under the Renewed Mutual Supply Agreement is more than 0.1% but less than 5% on an annual basis, the continuing connected transactions in relation thereto are only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and is exempt from the independent shareholders' approval requirements.

Since Xinjiang Non-ferrous is the controlling shareholder of the Company, it and its Associates are required to and will be abstained from voting at the EGM in relation to the approval of the procurement of the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps.

In the event that the ordinary resolutions in respect of the procurement of the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps are voted down by the Independent Shareholders, the Company will abide by its internal control procedures and procure the services or supplies or sell the Company's products at the open market. In respect of procurement of services or supplies, the Company will either select the service or product providers who offer the best bid price as determined by the Tendering Process or the best price at the open market. In respect of the sale of the Company's products, the Company will sell at the open market at prices which are to be determined as mentioned in the paragraph headed "Pricing Policies" above.

### BOARD'S APPROVAL

Mr. Zhang Guohua, Mr. Guo Quan, Mr. Yu Wenjiang and Mr. Qi Xinhui have abstained from voting on the Board resolutions approving the procurement of Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps since Mr. Zhang Guohua is the chairman of the board of directors and legal representative of Xinjiang Non-ferrous to sign any deeds, material contracts and other material documents of Xinjiang Non-ferrous; Mr. Guo Quan is the deputy general manager of Xinjiang Non-ferrous; Mr. Yu Wenjiang and Mr. Qi Xinhui are the secretary and deputy secretary to the Party Committee of the Company, respectively, and both of whom are appointed directly by Xinjiang Non-ferrous.

Save as mentioned above, no other Director has a material interest in the transactions and hence no other Director has abstained from voting on these board resolutions.

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## LETTER FROM THE BOARD

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### PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In view of the fact that the Company has moved to a new office, in accordance with the Company Law of the People's Republic of China and other relevant laws and regulations, and combined with the actual situation of the Company, the Company proposed to make amendments to the Articles of Association.

According to the Articles of Association and the relevant laws and regulations, the proposed amendments to the Articles of Association are subject to approval of the shareholders of the Company by way of special resolution at the general meeting of the Company. Further, the proposed amendments to the Articles of Association will become effective after the relevant procedures for the approval and/or registration or filing in the PRC have been completed.

Please refer to Appendix II of this circular for details of the proposed amendments to the Articles of Association.

### EGM

A notice convening the EGM to be held at Conference Room, Level 6, 501 Ronghe South Road, Cooperation District Economic and Technological Development Zone, Urumqi, Xinjiang, the PRC on Tuesday, 28 December 2021 at 11:00 am was despatched to the Shareholders on 4 November 2021. The EGM will be held to consider and if thought fit, approve the procurement of the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement, Renewed Annual Caps and the proposed amendments to the Article of Association.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy which was sent out on 4 November 2021 in accordance with the instructions printed thereon and return the same to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

### PROCEDURES FOR VOTING AT THE EGM

According to Rule 13.39(4) of the Listing Rules, any vote at a general meeting must be taken by poll.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that all resolutions proposed for consideration and approval by the Shareholders of the Company at the EGM are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the EGM as set out in the notice of the EGM.

### GENERAL

Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser, the proposed amendments to the Articles of Association and the additional information set out in the appendices to this circular and the notice of the EGM.

By Order of the Board  
**Xinjiang Xinxin Mining Industry Co., Ltd.\***  
**Li Zhenzhen, Lam Cheuk Fai**  
*Joint Company Secretaries*

\* *For identification purposes only*



**Xinjiang Xinxin Mining Industry Co., Ltd.\***

**新疆新鑫礦業股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 3833)**

24 November 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –  
RENEWED MUTUAL SUPPLY AGREEMENT**

We refer to the circular dated 24 November 2021 (the “**Circular**”) of Xinjiang Xinxin Mining Industry Co., Ltd. (the “**Company**”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

We, being the independent non-executive Directors, have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders of the Company on the procurement of the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps. Crescendo Capital has been appointed as the Independent Financial Adviser to advise the Independent Shareholders and us on the fairness and reasonableness of, among other things the procurement of the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps. Details of Crescendo Capital's advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out in the “Letter from the Independent Financial Adviser” on pages 25 to 42 of the Circular.

The Independent Shareholders' attention is drawn to the “Letter from the Board”, the advice of Crescendo Capital in its capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of whether (i) the procurement of the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the procurement of the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement and the transactions contemplated thereunder (together with the Renewed Annual Caps thereunder) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole as set out in the “Letter from the Independent Financial Adviser” as well as other additional information set out in other parts of the Circular.

\* *For identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the independent advice of Crescendo Capital, in particular the principal factors, reasons and recommendations set out in the “Letter from the Independent Financial Adviser” on pages 25 to 42 of the Circular and having considered the terms of the procurement of the Construction Services and the supply of the the Company’s Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps, we consider that (i) the procurement of the Construction Services and the supply of the Company’s Products under the Renewed Mutual Supply Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the procurement of the Construction Services and the supply of the the Company’s Products under the Renewed Mutual Supply Agreement and the transactions contemplated thereunder (together with the Renewed Annual Caps thereunder) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the procurement of the Construction Services and the supply of the Company’s Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps.

Yours faithfully,

Independent Board Committee

**Mr. Hu Benyuan, Mr. Wang Qingming and Mr. Lee Tao Wai**

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Crescendo Capital to the Independent Board Committee and the Independent Shareholders in relation to the Renewed Mutual Supply Agreement and the Renewed Annual Caps, which has been prepared for the purpose of inclusion in this circular.*



1105 Tai Tung Building  
8 Fleming Road  
Wanchai  
Hong Kong

24 November 2021

*To the Independent Board Committee  
and the Independent Shareholders*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the continuing connected transactions contemplated under the Renewed Mutual Supply Agreement in relation to the provision of (i) the Construction Services by Xinjiang Non-ferrous Group to the Group; and (ii) the Company's Products by the Group to Xinjiang Non-ferrous Group (the "**Continuing Connected Transactions**") and the proposed Renewed Annual Caps, details of which are set out in the letter from the Board contained in the circular dated 24 November 2021 to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 29 October 2021, the Company entered into the Renewed Mutual Supply Agreement with Xinjiang Non-ferrous in relation to the provision of (i) the Construction Services and the Supporting and Ancillary Services by Xinjiang Non-ferrous Group to the Group; and (ii) the Company's Products by the Group to Xinjiang Non-ferrous Group for a period of three years, commencing from 1 January 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, Xinjiang Non-ferrous was a controlling Shareholder, which was beneficially interested in 885,204,000 domestic shares of the Company, representing approximately 40.06% of the entire issued share capital of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Renewed Mutual Supply Agreement constitute continuing connected transactions for the Company. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Renewed Annual Caps for the three years ending 31 December 2024 exceed 5% on an annual basis, the Continuing Connected Transactions are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Xinjiang Non-ferrous and its Associates are required to, and will, abstain from voting in relation to the approval of the procurement of the Construction Services and the supply of the Company's Products under the Renewed Mutual Supply Agreement and the Renewed Annual Caps at the EGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Hu Benyuan, Mr. Wang Qingming and Mr. Lee Tao Wai, has been established to advise the Independent Shareholders as to whether the terms of the Continuing Connected Transactions are on normal commercial terms, and such transactions are conducted in the ordinary and usual course of business of the Group, and, including the Renewed Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and Shareholders as a whole. We, Crescendo Capital Limited, have been appointed to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard and how to vote on the resolution to be proposed at the EGM.

We are not associated with the Group and its Associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Save for acting as an independent financial adviser in this appointment and the occasion as detailed in the circular of the Company dated 3 November 2020, we have not acted as a financial adviser or an independent financial adviser to the Company and its Associates in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its Associates. We are not aware of any relationship or interest between our firm and the Company or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee and the Independent Shareholders and we are independent from the Company pursuant to the requirements under Rule 13.84 of the Listing Rules.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, 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 misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the agreement of the Continuing Connected Transactions. 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 the market and economic conditions) may affect and/or change this opinion.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion regarding the Continuing Connected Transactions, we have considered the following principal factors and reasons:

#### **1. Background of the Continuing Connected Transactions and reasons for the entering into of the Renewed Mutual Supply Agreement**

##### ***(a) Background***

The Group is principally engaged in mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metals, which include cobalt and precious metals such as gold, silver, platinum and palladium.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Xinjiang Non-ferrous, the controlling Shareholder, is principally engaged in, among other things, investment in the non-ferrous metal industry and sale of non-ferrous metal products.

Xinjiang Non-ferrous Group has been providing the Construction Services to the Group, and the Group has been providing the Company's Products to Xinjiang Non-ferrous Group, since October 2007. The Existing Mutual Supply Agreement shall expire on 31 December 2021 and the parties to the Existing Mutual Supply Agreement intend to continue the Continuing Connected Transactions on an on-going basis after the expiry of the Existing Mutual Supply Agreement. As such, the Company entered into the Renewed Mutual Supply Agreement with Xinjiang Non-ferrous on 29 October 2021.

**(b) *Provision of the Construction Services***

Xinjiang Non-ferrous Group has been providing construction related services, including project design, construction and facility installation, to the Group from time to time in its ordinary and usual course of business. We understand from management of the Company that Xinjiang Non-ferrous Group is a major player in the non-ferrous metal industry in Xinjiang and is actively engaged in mining, ore processing, smelting, processing, repairing, manufacturing, equipment installation, construction, transportation, storage and design. The design institute of Xinjiang Non-ferrous Group has the expertise in the design of production facilities for mining, ore processing and refining of non-ferrous and precious metals, and Xinjiang Non-ferrous Group has an experienced and stable construction team in shafts construction and facility installation. The Company considers that Xinjiang Non-ferrous Group has competitive advantages over other suppliers of similar services in Xinjiang. In addition, with the capability and techniques of Xinjiang Non-ferrous Group in designing and producing non-standardized production facilities and equipment, the Group's smelting operation was enhanced through the co-operations with Xinjiang Non-ferrous Group in relation to the Group's previous technical improvement projects. The Group has also been satisfied with the quality of services rendered by Xinjiang Non-ferrous Group in relation to the Group's previous technical improvement projects. Therefore, the Company considers that it is appropriate to continue to engage Xinjiang Non-ferrous Group as one of the construction service providers of the Group if its terms of services are no less favourable than those offered by other service providers.

**(c) *Provision of the Company's Products***

Pursuant to the Renewed Mutual Supply Agreement, the Company's Products to be supplied by the Group to Xinjiang Non-ferrous Group include nickel cathode, copper cathode, copper concentrates, self-produced precious metals, sulphuric acid, water, electricity and other ancillary materials. The Directors consider that the sale of the Company's Products to Xinjiang Non-ferrous Group can help secure a stable sales channel and turnover for the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered that (i) Xinjiang Non-ferrous Group is a major player in the non-ferrous metal industry in Xinjiang which has been offering high quality Construction Services that meet the Company's stringent standards in the previous technical improvement and construction projects; (ii) the Group has established a long-term business relationship with Xinjiang Non-ferrous Group and is satisfied with the quality of the Construction Services provided by Xinjiang Non-ferrous Group; (iii) the Group requires the Construction Services for fulfilling its production needs from time to time; and (iv) the sale of the Company's Products is carried out in the ordinary and usual course of business of the Group and provides additional turnover to the Group, we are of the opinion that the Continuing Connected Transactions are commercial transactions conducted in the ordinary and usual course of business of the Group and they are in the interests of the Company and Shareholders as a whole.

### **2. Principal terms of the Continuing Connected Transactions**

Pursuant to the Renewed Mutual Supply Agreement, Xinjiang Non-ferrous agreed to provide the Construction Services and the Supporting and Ancillary Services to the Group, and the Group agreed to provide the Company's Products to Xinjiang Non-ferrous Group, for a period of three years, commencing from 1 January 2022, which may be renewed upon agreement by Xinjiang Non-ferrous and the Company, subject to the approval of the Stock Exchange and/or the Independent Shareholders, if applicable. The Company and Xinjiang Non-ferrous Group are at liberty to procure from, or provide to, any Independent Third Party any of the required services and products, save and except that Xinjiang Non-ferrous Group must provide the Company with services or supplies on terms no less favourable than those offered to any Independent Third Party.

Either party of the Renewed Mutual Supply Agreement may terminate the mutual provision of products and services by giving to the other party not less than six months' prior written notice. However, unless the Company has provided written consent to the termination of the Renewed Mutual Supply Agreement by Xinjiang Non-ferrous Group, Xinjiang Non-ferrous Group may not terminate its supply of services and/or products if the Company has informed them by written notice that the Company is unable to obtain similar products and/or services from an Independent Third Party. The Renewed Mutual Supply Agreement is conditional and effective upon having complied with the relevant Listing Rules and approved by the Independent Shareholders, if applicable, at the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Renewed Mutual Supply Agreement is a framework agreement that sets out the principles upon which detailed terms and conditions of the transactions are to be determined between the parties. The Company and Xinjiang Non-ferrous will ensure that any specific agreement, which sets out the specific terms and conditions for the provisions of services or products, to be entered into between the parties shall be following the terms and conditions of the Renewed Mutual Supply Agreement.

Under the Renewed Mutual Supply Agreement, the Company and Xinjiang Non-ferrous agreed that the actual price of the services and products would be determined principally by commercial negotiations between the parties according to the principles of fairness and reasonableness with reference to the market prices of the services and products from time to time and would be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from, as appropriate, Independent Third Parties. The mutual supply services will be provided according to the following general pricing policies in order of priority and shall be settled monthly:

- the State-prescribed price, including any price prescribed by any relevant local government, if applicable;
- where there is no State-prescribed price, then the State-guidance price;
- where there is neither a State-prescribed price nor a State-guidance price, the market price which shall be determined by (i) the price offered by an Independent Third Party for providing similar products or services in an area where such products or services are provided under general commercial terms; or (ii) where not applicable, the price offered by an Independent Third Party for providing similar products or services in the PRC under general commercial terms; and
- where none of the above is applicable, the price shall be determined by the parties based on reasonable costs, being costs (including relevant taxes and surcharges) as calculated under the Accounting Standards for Business Enterprises of the PRC, incurred by them in providing the products or services plus a profit margin of not more than 5% of such reasonable costs (the “**Cost-plus Method**”).

We have reviewed the Company’s pricing policies for the Continuing Connected Transactions and practices for price determination in relation to transactions contemplated under the Existing Mutual Supply Agreement in respect of the procurement of the Construction Services and the supply of the Company’s Products and our findings are set out below:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(a) *Provision of the Construction Services***

According to management of the Company, the service fees for the Construction Services are, and will continue to be, determined by the tendering process as there is neither a State-prescribed price nor a State-guidance price for the Construction Services. Pursuant to the Company's internal guidance on construction projects, the Company is required to select service providers for all major construction projects, including the technical improvement projects, through an open tender process, through which the price and terms of services offered by the vendors will be compared and rated by the tender evaluation committee of the Company and the service contracts will be awarded to vendor(s) which offer(s) the best price and/or terms of service. The tender evaluation committee of the Company consists of the Company's general manager, deputy general manager, financial controller, chairman of the board of supervisors, secretary of the Party Commission for Discipline Inspection of the Company, managers from safety production and security department, sales department and internal audit department and internal experts. For each tender evaluation, in addition to the tender(s) from the connected person(s), there should be at least two or more valid tenders obtained from Independent Third Parties for comparison purposes. In case the only bidder/tenderer of a transaction is a connected person, the Company would not proceed with the transaction.

Since the Construction Services were tailor-made to fit the specific requirements of the Company, we were unable to compare the terms of Construction Services offered by Xinjiang Non-ferrous Group to the Group with the terms of construction services offered by Xinjiang Non-ferrous Group to other Independent Third Parties. However, we have reviewed the sample tender assessment reports of projects carried out in each of the years ended 31 December 2019 and 2020 and nine months ended 30 September 2021, which were randomly selected from the list of Construction Projects awarded to Xinjiang Non-ferrous Group in 2019, 2020 and the nine months ended 30 September 2021 and the transaction amounts of which represent approximately 53%, 50% and 75% of the total transaction amount of Construction Services awarded to Xinjiang Non-ferrous Group in the respective year/period. We noted that the bidding parties of the aforementioned projects included both member(s) of Xinjiang Non-ferrous Group and Independent Third Parties. We also noted that the contracts were awarded to tenderers with the highest scores, which were rated by the tender evaluation committee based on the same assessment criteria such as qualification, experience, technical expertise, reputation and quality of work of the tenderers and the proposed pricing and duration of services. We considered the results of the tender process fair and reasonable. With a similar open tender system in place and taking into account the nature of services and the prevailing market circumstances, we believe that the prices and terms of transactions in respect of the Construction Services under the Renewed Mutual Supply Agreement are, and will be, on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(b) *Provision of the Company's Products***

We understand from management of the Company that the prices of the Company's Products are, and will be, determined with reference to the prevailing market price as neither State-prescribed prices nor State-guidance prices were available for such transactions. Management of the Company confirmed that none of the previous transactions regarding the sale of the Company's Products were transacted based on the Cost-plus Method as all the Company's Products have a market price. Management of the Company also expected that the Cost-plus Method would not be applicable for the Company's Products in the foreseeable future.

In order to ensure each sales transaction is/was on terms no more favourable to Xinjiang Non-ferrous Group than to other Independent Third Parties, the selling prices of the Company's Products are, and were, (i) determined by sales department of the Company with reference to the prevailing market prices as quoted at Shanghai Yangtze River Non-ferrous Metals Spot Market as set out in the website of Yangtze River Non-ferrous Metals ([www.ccmn.cn](http://www.ccmn.cn)), an independent e-commerce website hosted by 長江有色(廈門)科技股份有限公司 (Yangtze River Non-ferrous (Xiamen) Technology Co., Ltd.) that provides an online platform for information and trading in relation to transactions of major non-ferrous metals (namely copper, aluminum, zinc, tin, lead and nickel) and major precious metals (including gold); (ii) approved by the sales department manager, (iii) checked by the finance department manager; and (iv) finally approved by the pricing committee of the Company, which consists of the general manager, financial controller and the managers of the sales department and the finance department.

We have visited the website of Yangtze River Non-ferrous Metals and noted that it summarized the pricing information of six major non-ferrous metals, namely copper, aluminum, zinc, tin, lead and nickel in different markets such as the London Metal Exchange and Shanghai Metals Spot Market, and major precious metals, including gold. We understand from management of the Company that the website of Yangtze River Non-ferrous Metals is one of the leading internet platforms widely recognized by the players in the PRC non-ferrous metals and precious metals industry regarding trading and pricing information. Based on the above, we concur with the view of the Directors that it is a valid reference for information in relation to the trading and/or pricing of the relevant non-ferrous metals and precious metals.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed ten samples of invoices issued by the Group to Xinjiang Non-ferrous Group to regarding the sales of copper concentrates and/or copper cathode and the relevant prevailing market prices quoted from the website of Yangtze River Non-ferrous Metals at the relevant time and noted that the prices charged by the Group were the same as the then prevailing market prices. In view of the above, we believe that the above-mentioned internal control policy has been properly followed by the Group in its daily operations and the prices of the transactions in respect of the sales of Company's Products under the Existing Mutual Supply Agreement were on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

We were given to understand that the internal audit department of the Company would perform an annual audit on the transactions with Xinjiang Non-ferrous Group by comparing the invoiced prices with the prevailing market prices of the relevant products and ensuring that the abovementioned internal control procedures were adhered to. Management of the Company also confirmed to us that the aforementioned pricing policy was and would be consistently applied to all transactions in respect of the supply of the Company's Products by the Group to Xinjiang Non-ferrous Group.

Although none of the previous transactions regarding the sale of the Company's Products were transacted based on the Cost-plus Method as all the Company's Products have a market price, we have also tried to assess the fairness and reasonableness of the 5% margin under the Cost-plus Method by looking for public information regarding the profit margin of similar products for comparison purposes. Nevertheless, no such relevant information was available. Given that (i) both parties to the Renewed Mutual Supply Agreement are mutually bounded by the same maximum profit margin of 5% under the Cost-plus Method; (ii) the Cost-plus Method will be adopted only if there are no State-prescribed prices, State-guidance prices or market prices; and (iii) the Cost-plus Method has not been applied for transactions under the Existing Mutual Supply Agreement so far and the Directors consider that the chance of using the Cost-plus Method in determining the prices of the Supporting and Ancillary Services and the Company's Products under the Renewed Mutual Supply Agreement is remote as the pricing of all the existing Supporting and Ancillary Services and the Company's Products can be determined based on the State-prescribed price, the State-guidance price or the market price, we concur with the view of the Directors that the Cost-plus Method is commercially justifiable as the last resort for price determination.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above and taking into account that (i) the Company has the liberty to procure from, or provide to, any Independent Third Party any of the Construction Services and the Company's Products; (ii) Xinjiang Non-ferrous Group must provide the Company with services or supplies on terms no less favourable to the Company than those offered to any Independent Third Party and such practices have been and will be consistently applied by Xinjiang Non-ferrous Group; and (iii) the Company may terminate the mutual provision of products and services by giving to Xinjiang Non-ferrous Group not less than six months' prior written notice while the termination of the provision of services and products by Xinjiang Non-ferrous Group is subject to the consent of the Company, and Xinjiang Non-ferrous Group may not terminate its supply of services and/or products if the Company has informed them by written notice that the Company is unable to obtain similar products and/or services from other Independent Third Parties, we consider that the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

### 3. The Renewed Annual Caps

The historical transaction amounts and the proposed Renewed Annual Caps of the Continuing Connected Transactions are summarized as follows:

	Historical transaction amounts			Renewed Annual Caps		
			For the			
			period from			
			1 January			
	For the year ended 31		2021 to	For the year ending		
	December		30 September	31 December		
	2019	2020	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision of the Construction						
Services	<u>73,714</u>	<u>72,723</u>	<u>26,009</u>	<u>291,790</u>	<u>204,720</u>	<u>117,090</u>
Provision of the Company's						
Products	<u>83,950</u>	<u>104,946</u>	<u>70,969</u>	<u>176,229</u>	<u>201,442</u>	<u>224,730</u>



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The breakdown of the Renewed Annual Caps is summarized as follows:

<b>Renewed Annual Caps</b>			
<b>For the year ending 31 December</b>			
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Provision of the Construction Services</b>			
<b>(a) Confirmed projects</b>			
(i) Delayed projects			
– staff canteen	1,300	–	–
– smoke ring set system renovation project	3,400	–	–
Sub-total	4,700	–	–
(ii) New project			
– material warehouse	15,000	5,000	–
Sub-total	15,000	5,000	–
<b>(b) Planned projects</b>			
– projects in Kalatongke Mining	140,090	81,720	41,090
– projects in Fukang Refinery	40,000	26,000	4,000
– projects in Yakesi	60,000	40,000	20,000
– a project in Xinjiang Zhongxin	–	20,000	20,000
Sub-total	240,090	167,720	85,090
<b>(c) Possible projects</b>	32,000	32,000	32,000
<b>Proposed Renewed Annual Caps for the provision of the Construction Services</b>	291,790	204,720	117,090
<b>Provision of the Company's Products</b>			
(a) copper concentrates	82,977	102,461	119,111
(b) copper cathode	30,973	31,858	33,186
(c) other Company's Products	62,279	67,123	72,433
<b>Proposed Renewed Annual Caps for the provision of the Company's Products</b>	176,229	201,442	224,730

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The proposed Renewed Annual Caps were determined based on the historical transaction amounts, the expected market conditions, the development trend in the non-ferrous metals industry, the expected supply of the Company's Products and its production expansion plans for the next three years. In determining the Renewed Annual Caps, the Directors have taken into account (i) the historical transaction amounts for the Construction Services and the Company's Products for the two years ended 31 December 2020 and the nine months ended 30 September 2021; (ii) the Company's expansion plan and the increase in construction projects, leading to an increase in demand for the Construction Services; and (iii) the possible increases in the prices of utilities, raw materials and finished products in the three years ending 31 December 2024, taking into account the anticipated general inflation rate in the PRC during the years.

**(a) *Provision of the Construction Services***

We understand from management of the Company that the Renewed Annual Caps for the provision of the Construction Services were determined by the Directors with reference to the estimations on the Group's demand for the Construction Services for its existing developments, having taken into account the works required, the expected construction progress and the prevailing market price of the existing projects, planned projects and possible projects to be carried out during the three years ending 31 December 2024.

*Confirmed projects*

Currently, the Group is undergoing three major projects under the Construction Services in Kalatongke Mining, including the construction projects of a staff canteen, a material warehouse and a smoke ring set system renovation project. The staff canteen construction project and the smoke ring set system renovation project were originally planned to be completed by 2021 but the construction progress of these projects was adversely affected by the outbreak of the COVID-19 pandemic in 2020. Accordingly, the completion of the construction works of such projects shall be postponed to 2022. In addition, a new project for construction of a material warehouse has been awarded to Xinjiang Non-ferrous Group through the tendering process. The construction works of the material warehouse are scheduled to be carried out in 2022 and 2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The proposed Renewed Annual Caps for the delayed projects are estimated to be approximately RMB4.7 million for the year ending 31 December 2022 while the proposed Renewed Annual Caps for the newly confirmed project are estimated to be approximately RMB15.0 million and RMB5.0 million for the years ending 31 December 2022 and 2023 respectively, representing an aggregated of approximately 7% and 2% of the Renewed Annual Caps for the respective year. We have reviewed, and discussed with management of the Company, the Company's budgets for the construction services of the confirmed projects. As at the Latest Practicable Date, approximately 10% and 97% of the Construction Services regarding the construction project of a staff canteen and a smoke ring set system renovation project in Kalatongke Mining has been completed respectively and construction fee of approximately RMB0.14 million and RMB107.1 million has been paid/payable by the Company to Xinjiang Non-ferrous Group for the respective projects.

The Company anticipated that the remaining 90% and 3% of the Construction Services for the construction of the staff canteen and the smoke ring set system renovation project shall be completed in 2022 respectively and therefore construction fees of RMB1.3 million and RMB3.4 million have been scheduled to be paid to Xinjiang Non-ferrous Group in the year ending 31 December 2022 respectively. Moreover, it is anticipated that approximately 75% and 25% of the Construction Services for the construction of the material warehouse in Kalatongke Mining shall be completed in 2022 and 2023 respectively and therefore construction fees of RMB15.0 million and RMB5.0 million are scheduled to be paid to Xinjiang Non-ferrous Group in the year ending 31 December 2022 and 2023 respectively.

### *Planned projects*

In addition to the Construction Services of the existing projects of Kalatongke Mining, the Company has planned to carry out additional environmental protection and safety projects, technical improvement projects and construction of a comprehensive office building and a staff quarter with a total construction fee of approximately RMB262.9 million, in Kalatongke Mining during the three years ending 31 December 2024. As at the Latest Practicable Date, the Construction Services regarding the planned projects of Kalatongke Mining have not been commenced yet. The Company anticipated that approximately 53%, 31% and 16% of the Construction Services regarding the abovementioned planned projects shall be completed in 2022, 2023 and 2024 respectively and therefore construction fees in the amount of approximately RMB140.1 million, RMB81.7 million and RMB41.1 million will be payable to Xinjiang Non-ferrous Group in the year ending 31 December 2022, 2023 and 2024 respectively if the construction works are carried out by Xinjiang Non-ferrous Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company has also planned to carry out environmental protection projects and technical improvement projects, namely electrolytic cell renovation projects, external wall insulation projects and sewage advanced treatment projects, with a total construction fee of approximately RMB70.0 million, for Fukang Refinery during the three years ending 31 December 2024. As at the Latest Practicable Date, the Construction Services for Fukang Refinery have not been commenced yet. The Company anticipated that approximately 57%, 37% and 6% of the Construction Services for Fukang Refinery shall be completed in 2022, 2023 and 2024 respectively and therefore construction fees in the amount of approximately RMB40.0 million, RMB26.0 million and RMB4.0 million will be payable to Xinjiang Non-ferrous Group in the year ending 31 December 2022, 2023 and 2024 respectively if the construction works are carried out by Xinjiang Non-ferrous Group.

In addition, the Company has budgeted to carry out expansion and technical improvement projects for selection factory and smelter with a total construction fee of approximately RMB120.0 million for Yakesi during the three years ending 31 December 2024. As at the Latest Practicable Date, the Construction Services for Yakesi have not been commenced yet. The Company anticipated that approximately 50%, 33% and 17% of the Construction Services for Yakesi shall be completed in 2022, 2023 and 2024 respectively and therefore construction fees in the amount of approximately RMB60.0 million, RMB40.0 million and RMB20.0 million will be payable to Xinjiang Non-ferrous Group in the year ending 31 December 2022, 2023 and 2024 respectively if the construction works are carried out by Xinjiang Non-ferrous Group.

Moreover, a technical transformation project for smelting of Xinjiang Zhongxin with a total construction fee for 2023 and 2024 of approximately RMB40.0 million has been scheduled to commence in 2023. The Company anticipated that approximately 50% and 50% of the Construction Services for Xinjiang Zhongxin shall be completed in 2023 and 2024 respectively and therefore construction fees in the amount of approximately RMB20.0 million and RMB20.0 million will be payable to Xinjiang Non-ferrous Group in the year ending 31 December 2023 and 2024 respectively if the construction works are carried out by Xinjiang Non-ferrous Group.

We have reviewed, and discussed with management of the Company, the budgets of the abovementioned planned projects and were advised by management of the Company that such budgets were arrived at after taking into account the works required, the expected construction progress and the prevailing market price for similar construction services. We

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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noted that the proposed construction fees payable to Xinjiang Non-ferrous Group for the planned projects are generally commensurate with the estimated budgets and work progress of those projects. Having considered the anticipated progress of the construction works, the value of the construction contracts and the payment schedules, the construction fees payable to Xinjiang Non-ferrous Group in relation to the above projects were estimated to be approximately RMB240.1 million, RMB167.7 million and RMB85.1 million for the year ending 31 December 2022, 2023 and 2024 respectively, which accounted for approximately 82%, 82% and 73% of the proposed Renewed Annual Caps of the Construction Services for the years ending 31 December 2022, 2023 and 2024 respectively.

### *Possible projects*

In order to further improve the production efficiency of the operations of the Group and provide a buffer for possible maintenance and sundry projects, the Company assumed that certain improvement, maintenance and sundry projects might be carried out in the coming few years. The Company estimated that the construction fees payable to Xinjiang Non-ferrous Group in relation to the improvement, maintenance and sundry projects expected to be carried out for the Group would be approximately RMB32.0 million for each of the years ending 31 December 2022, 2023 and 2024 respectively, which accounted for approximately 11%, 16% and 27% of the proposed Renewed Annual Caps of the Construction Services for the years ending 31 December 2022, 2023 and 2024 respectively.

Having considered the Company's needs, the budgets and expected work progress of the scheduled construction works, which are expected to commence in 2022 and complete during 2023 and 2024 by phases, we consider that the proposed Renewed Annual Caps for the Construction Services are fair and reasonable.

### **(b) *Provision of the Company's Products***

The historical transaction amount of the sales of the Company's Products by the Group to Xinjiang Non-ferrous Group increased from approximately RMB84.0 million for the year ended 31 December 2019 to approximately RMB104.9 million for the year ended 31 December 2020. We were advised by management of the Company that such increase was mainly attributable to the increases in average selling prices of copper concentrates and copper cathode of approximately 6.4% and 5.4% respectively in 2020, as compared to 2019, as well as the increase in sales volume of copper concentrates and copper cathode to Xinjiang

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Non-ferrous Group in 2020. The annualized transaction amount of the Company's Products between the Group and Xinjiang Non-ferrous Group in 2021 dropped by approximately 9.6% as compared to that of 2020 as a result of the decreases in sales volume of sulfuric acid and gold to Xinjiang Non-ferrous Group during the nine months ended 30 September 2021 since the adoption of the Group's policy to increase the proportion of sulfuric acid sold to independent customers and to reduce the overall sales volume of gold during the nine months ended 30 September 2021.

The Company projected that the transaction amounts, and thus the corresponding annual caps, for sale of the Company's Products to Xinjiang Non-ferrous Group would upsurge significantly by approximately 86% in 2022, as compared to the annualized sales figure of 2021, and then grow at a compound annual growth rate of approximately 12.9% for the three years ending 31 December 2024. In estimating the annual caps for the sales of the Company's Products under the Renewed Mutual Supply Agreement, the Directors assumed that there would be increases in both the selling prices of the Company's Products, in particular, copper concentrates and copper cathode, and the quantity of copper concentrates to be supplied to Xinjiang Non-ferrous Group. It is forecasted that the projected sales amount of copper concentrate and copper cathode would account for over 64% of the Renewed Annual Caps for the sale of the Company's Products for each of the three years ending 31 December 2024.

Based on the discussions between the Group and Xinjiang Non-ferrous Group, the Group was informed that Xinjiang Non-ferrous Group has planned to increase its production volume of copper cathode in 2022 and thus the demand for copper concentrates from the Group would increase accordingly in 2022. Management of the Company expected that the sales volume of copper concentrates to Xinjiang Non-ferrous Group would increase to 1,500 tonnes, 1,800 tonnes and 2,000 tonnes in 2022, 2023 and 2024 respectively, while the sales volume of the copper cathode to Xinjiang Non-ferrous Group would increase to 500 tonnes in 2022 and remain stable for the two years ending 31 December 2023 and 2024, having considered the estimated increasing demand of copper concentrates and copper cathode by Xinjiang Non-ferrous Group for its increased budgeted production volume of copper cathode and beryllium copper alloy in the coming years.

We have reviewed the memorandum of understanding entered into between the Group and Xinjiang Non-ferrous Group regarding the projected sales volume of copper concentrates and copper cathode between the parties and noted that the tentative purchase volume of copper concentrates and copper cathode agreed by both parties is in line with the projected sales volumes adopted by the Group in budgeting the Renewed Annual Caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the information from the website of the London Metal Exchange, we noted that the price of copper had been increasing since March 2020 until reaching the record high in May 2021 and retreated in recent months. The average three-month future price of copper cathode in the London Metal Exchange was US\$6,028 per tonne, US\$6,188 per tonne, and US\$9,064 per tonne in 2019, 2020 and the first half of 2021 respectively, representing a compound annual growth rate of approximately 22.6%. The average spot price (including tax) of copper cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB47,786 per tonne, RMB48,797 per tonne and RMB66,691 per tonne in 2019, 2020 and the first half of 2021 respectively, representing a compound annual growth rate of approximately 18.1%. According to “Commodity Price Forecast” released on 20 April 2021 by The World Bank, an international financial institution providing loans and grants to governments of developing countries, it is forecasted that copper price would be US\$8,500 per tonne for 2021 and reduced to US\$7,500 per tonne in 2022, then rise slightly with a compound annual growth rate of approximately 0.7% from 2022 to 2024.

With reference to the above market information, management of the Company expected that the price of copper in the PRC would continue to increase at a compound annual growth rate of approximately 3.5% for the three years ending 31 December 2024. Taking into account the projected increases in selling price of copper in the PRC and the historical compound annual growth rate of approximately 20% of the selling prices of both copper concentrates and copper cathode sold to Xinjiang Non-ferrous Group during 2019 and 2021, as well as the projected increase in the quantity of products to be supplied to Xinjiang Non-ferrous Group, management of the Company expected that the transaction amounts of sale of copper concentrates to Xinjiang Non-ferrous Group for the three years ending 31 December 2024 would be approximately RMB83.0 million, RMB102.5 million and RMB119.1 million respectively, representing a compound annual growth rate of approximately 19.8%, while the transaction amounts for copper cathode for the three years ending 31 December 2024 would be approximately RMB31.0 million, RMB31.9 million and RMB33.2 million respectively, representing a compound annual growth rate of approximately 3.5%.

Having considered the substantial increase in demand for copper concentrates from Xinjiang Non-ferrous Group for its production expansion of copper cathode in the coming years and the rising trend of the market price of copper in the foreseeable future, we consider that the Renewed Annual Caps for the sales of the Company’s Products proposed by the Directors are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the aforementioned principal factors and reasons, we consider that (i) the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Continuing Connected Transactions (and the Renewed Annual Caps thereunder) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. We, therefore, recommend the Independent Board Committee to advise the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the resolution to approve the Continuing Connected Transactions (including the Renewed Annual Caps) at the upcoming EGM.

Yours faithfully,

For and on behalf of

**Crescendo Capital Limited**

**Amilia Tsang**

*Managing Director*

**Helen Fan**

*Director*

#### *Notes:*

- (i) Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has approximately 18 years of experience in corporate finance.
- (ii) Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has approximately 14 years of experience in corporate finance.



**1. RESPONSIBILITY STATEMENT**

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

**2. DISCLOSURE OF INTERESTS****Directors, supervisors and chief executive of the Company**

- (i) As at the Latest Practicable Date, save and except for Mr. Zhou Chuanyou, being a Director, who has interest in 480,924,000 domestic shares of the Company, none of the Directors, supervisors and chief executive of the Company had any interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company under section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.
- (ii) As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any direct or indirect material interest in any assets which have since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**Substantial shareholders of the Company**

As at the Latest Practicable Date, so far as the Directors are aware, each of the following persons, had an interest in the shares of the Company which falls to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of shares held	Class of share	Approximate percentage of shareholding on relevant class of shares (%)	Approximate percentage of the total share capital (%)
Xinjiang Non-ferrous Metal Industry (Group) Ltd.* (新疆有色金屬工 業(集團)有限責任公司)	885,204,000 (L)	Domestic share	61.01	40.06
Shanghai Yilian Kuangneng Co. Ltd.* (上海怡聯礦能實業有 限公司) (Note)	282,896,000 (L)	Domestic share	19.50	12.80
Zhongjin Investment (Group) Ltd.* (中金 投資(集團)有限公司) (Note)	198,028,000 (L)	Domestic share	13.65	8.96

(L) = Long positions

*Note:* The entire shareholding or equity interests of Shanghai Yilian Kuangneng Co. Ltd\* (上海怡聯礦能實業有限公司) and Zhongjin Investment (Group) Ltd.\* (中金投資(集團)有限公司) are beneficially owned by Mr. Zhou Chuanyou. Save as Mr. Zhang Guohua who is also the chairman of the board, a Party secretary and the legal representative of Xinjiang Non-ferrous, Mr. Zhou Chuanyou who is the chairman of the board and the legal representative of Zhongjin Investment (Group) Ltd.\* (中金投資(集團)有限公司) and Mr. Guo Quan who is the deputy general manager of Xinjiang Non-ferrous, there is no other Director or proposed Director who is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

\* The English name is a translation of the Chinese name and provided for reference only.

Save as disclosed above, as at the Latest Practicable Date, there was no other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### **3. SERVICE AGREEMENTS**

As at the Latest Practicable Date, each of the Directors and supervisors of the Company has entered into a service contract for a term of three years with the Company from 14 October 2020 or the date of new appointment to the expiration of the term of the sixth session of the Board of Directors and of the Supervisors Committee of the Company.

Pursuant to Articles 106 and 145 of the Articles of Association, the term for Directors and supervisors of the Company is three years commencing from the date of their respective appointment or re-appointment, subject to re-appointment at a general meeting.

Save as disclosed above, none of the Directors or supervisors of the Company had any existing or proposed service contract with any member of the Group (except contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

### **4. INTEREST IN CONTRACT**

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which any member of the Group was a party.

### **5. NO MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published consolidated audited accounts of the Company were made up.

**6. COMPETING INTEREST**

As at the Latest Practicable Date, the following Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company, as defined in the Listing Rules:

Mr. Zhang Guohua is the Chairman of Xinjiang Non-ferrous and also acts as the legal representative of Xinjiang Non-ferrous to sign any deeds, material contracts and other material documents of Xinjiang Nonferrous. Mr. Guo Quan is the deputy general manager of Xinjiang Non-ferrous; Mr. Yu Wenjiang and Mr. Qi Xinhui are the secretary to the Party Committee and deputy secretary to the Party Committee of the Company, respectively, and secretary to the Party Committee and deputy secretary to the Party Committee of the Company are both appointed directly by Xinjiang Non-ferrous. Mr. Zhang Guohua, Mr. Guo Quan, Mr. Qi Xinhui and Mr. Yu Wenjiang have not given any confidential or sensitive commercial information of the Company to Xinjiang Non-ferrous or any other third party and have physically abstained the voting right of directors to consider connected transactions with Xinjiang Non-ferrous. As the Board of Directors of the Company is independent from the board of directors of Xinjiang Non-ferrous and the above Directors do not control the Board of the Company, the Group is capable of carrying on its businesses independent from, and at arm's length from, the business of Xinjiang Non-ferrous.

Save as disclosed above, none of the Directors, or their respective associates (as defined in the Listing Rules) had interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

**7. EXPERT AND CONSENT**

- (a) The following is the qualifications of the expert who has given opinions and advice which are included in this circular:

Name	Qualification
Crescendo Capital	A licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFO

- (b) As at the Latest Practicable Date, Crescendo Capital did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Crescendo Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.
- (d) As at the latest Practicable Date, Crescendo Capital did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2020, the date to which the latest published audited financial statements of the Group were made up.

**8. MISCELLANEOUS**

- (a) The statutory address and principal place of business of the Company in the PRC is situated at 3/F, Tower 1, Youse Mingyuan Kejiyuan Complex Buildings, 52 East 2<sup>nd</sup> Lane, Binhe Middle Road, Saybagh District, Urumqi, Xinjiang, the PRC.
- (b) The registered office of the Company in Hong Kong is 9/F, The Center, 99 Queen's Road Central, Central, Hong Kong.
- (c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) The joint company secretaries of the Company are Mr. Li Zhenzhen and Mr. Lam Cheuk Fai.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**9. DOCUMENTS ON DISPLAY**

Copies of the following documents will be on display for Inspection on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [kunlun.wsfg.hk](http://kunlun.wsfg.hk) from the date of this Circular up to and including the date of the EGM:

- (a) the service agreements referred to in the section headed "Service Agreements" in this Appendix;
- (b) the letter of advice from Crescendo Capital, the text of which is set out in this circular;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter of consent referred to under the paragraph headed "Expert and Consent" in this appendix; and
- (e) copies of the Existing Mutual Supply Agreement and Renewed Mutual Supply Agreement.

**1.        THE ORIGINAL ARTICLE 4 WHICH PROVIDES:**

**Article 4** Domicile of the Company: 3/F, Tower 1, Business Residence Community of Youse Mingyuan Science and Technology Park, No. 52, East 2nd Lane, Binhe Middle Road, Saybagh District, Urumqi, Xinjiang

Postal Code: 830000

Telephone number: 0086-0991-4852773

Fax number: 0086-0991-4853773

**is proposed to be amended as follows:**

**Article 4** Domicile of the Company: No. 501, Fusion South Road, Cooperation Zone, Economic and Technological Development Zone, Urumqi, Xinjiang

Postal Code: 830027

Telephone number: 0086-0991-4852773

Fax number: 0086-0991-4853773

Save for the above proposed amendments to the Articles of Association, other chapters and articles of the Articles of Association remain unchanged.