
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Daye Non-Ferrous Metals Mining Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



中國大冶有色金屬礦業有限公司

China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00661)

**(1) REVISION OF ANNUAL CAPS FOR CONTINUING
CONNECTED TRANSACTIONS
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

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

AMASSE CAPITAL
寶 積 資 本

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Adviser is set out on pages 21 to 38 of this circular. A notice convening the SGM to be held at Function Room 4 & 6, 3/F, The Mira Hong Kong, Mira Place, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, November 22, 2023 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.hk661.com).

Whether or not you are able to attend the SGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the SGM or any adjournment thereof if they so wish and in such event, the proxy form shall be deemed to be revoked.

November 7, 2023

CONTENTS

DEFINITIONS	1
LETTER FROM THE BOARD	5
INTRODUCTION	5
REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS	5
SPECIAL GENERAL MEETING	17
PROXY ARRANGEMENT	17
VOTING BY WAY OF POLL	18
RECOMMENDATION	18
ADDITIONAL INFORMATION	18
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	19
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	21
APPENDIX I GENERAL INFORMATION	I-1
NOTICE OF SPECIAL GENERAL MEETING	SGM-1

DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following terms or expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated September 12, 2023
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China No. 15 Metallurgical”	China No. 15 Metallurgical Construction Group Co., Ltd.* (中國十五冶金建設集團有限公司), a limited liability company established in the PRC and a wholly owned subsidiary of CNMC
“China Times”	China Times Development Limited, a company incorporated in the British Virgin Islands with limited liability and the immediate controlling Shareholder
“CNMC”	China Nonferrous Metal Mining (Group) Co., Ltd.* (中國有色礦業集團有限公司), a limited liability company incorporated in the PRC and a controlling Shareholder
“Company”	China Daye Non-Ferrous Metals Mining Limited (Stock Code: 661), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Current Bye-Laws”	the bye-laws of the Company currently in force
“Daye Metal”	Daye Non-ferrous Metals Co., Ltd.* (大冶有色金屬有限責任公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Existing Annual Caps”	the existing annual cap amount in respect of the (i) purchase of certain products by the Group from Yangxin Hongsheng under the Yangxin Hongsheng Purchase Framework Agreement and (ii) the supply of certain products by the Group to the Parent Group under the Parent Group Sales Framework Agreement for the financial years ending December 31, 2023, 2024 and 2025 as set out in the announcement dated November 22, 2022 and the circular dated December 23, 2022
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huangshi Shengxiang”	Huangshi Shengxiang Copper Co., Ltd. (黃石晟祥銅業有限公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Parent Company
“Huangshi State-owned Assets Management”	Huangshi State-owned Assets Management Co., Ltd.* (黃石市國有資產經營有限公司), a limited liability company established in the PRC
“Huangshi Xingang Development”	Huangshi Xingang Development Co., Ltd.* (黃石新港開發有限公司), a limited liability company incorporated in the PRC, holding 16% equity interests of Yangxin Hongsheng
“Independent Board Committee”	an independent committee of the Board comprising Ms. Liu Fang, Mr. Wang Qihong, Mr. Liu Jishun, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the adoption of the Revised Annual Caps
“Independent Financial Adviser”	Amasse Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the adoption of the Revised Annual Caps

DEFINITIONS

“independent third party”	a person or entity who is not a connected person of the Company
“Independent Shareholder(s)”	Shareholder(s) other than China Times, the Parent Company, CNMC and their respective associates
“Latest Practicable Date”	November 3, 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Market Price”	means such price(s) that: <ol style="list-style-type: none">(1) the contracting party (as the supplier of products or service) provides such products or services to independent third parties for the same or similar products or services;(2) independent third parties provides such products or services to other independent third parties for the same or similar products or services; or(3) as determined by industry standards or practice for the same or similar products or services
“New Copper Cathode Production Plant”	a high purity copper cathode production plant owned by Yangxin Hongsheng located in Huangshi Xingang (Logistics) Industrial Park, Huangshi, Hubei, the PRC, with a production capacity of 400,000 tonnes per year in terms of rough smelting and 450,000 tonnes per year in terms of refining, and a total site area of approximately 800 thousand square metres
“Parent Company”	Daye Nonferrous Metals Group Holdings Company Limited* (大冶有色金屬集團控股有限公司), a limited liability company incorporated in the PRC and a controlling Shareholder
“Parent Group”	the Parent Company and its subsidiaries
“Parent Group Sales Framework Agreement”	the sales framework agreement dated November 22, 2022 entered into between the Company and the Parent Company, the details of which are set out in the announcement dated November 22, 2022 and the circular dated December 23, 2022

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Revised Annual Caps”	the revised annual cap amount in respect of (i) the purchase of certain products by the Group from Yangxin Hongsheng under the Yangxin Hongsheng Purchase Framework Agreement and (ii) the supply of certain products by the Group to the Parent Group under the Parent Group Sales Framework Agreement for the financial years ending December 31, 2023, 2024 and 2025
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM” or “Special General Meeting”	a special general meeting of the Company to be held to consider and if thought fit, approve the adoption of Revised Annual Caps
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yangxin Hongsheng”	Yangxin Hongsheng Copper Industry Company Limited (陽新弘盛銅業有限公司), a non-wholly owned subsidiary of the Company
“Yangxin Hongsheng Purchase Framework Agreement”	the purchase framework agreement dated November 22, 2022 entered into between the Company and Yangxin Hongsheng and revised on September 12, 2023, the details of which are set out in (i) the announcement dated November 22, 2022 and the circular dated December 23, 2022, and (ii) the Announcement under the section headed “Revision of Terms and Annual Caps For Continuing Connected Transactions – Yangxin Hongsheng Purchase Framework Agreement – Pricing Policy” regarding the revised terms
“%”	per cent

* For identification purpose only

LETTER FROM THE BOARD



中國大冶有色金屬礦業有限公司

China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00661)

Executive Directors:

Mr. Xiao Shuxin (*Chairman*)

Mr. Zhang Guangming (*Chief Executive Officer*)

Mr. Chen Zhimiao

Mr. Zhang Jinzhong

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-Executive Directors:

Ms. Liu Fang

Mr. Wang Qihong

Mr. Liu Jishun

*Head Office and Principal Place
of Business:*

Room 1, 11/F

China United Plaza

1008 Tai Nan West Street

Kowloon

Hong Kong

November 7, 2023

To the Shareholders

Dear Sir or Madam,

**(1) REVISION OF ANNUAL CAPS FOR CONTINUING
CONNECTED TRANSACTIONS**

AND

(2) NOTICE OF SPECIAL GENERAL MEETING

I. INTRODUCTION

The purpose of this circular is to provide Shareholders with the notice of SGM and further information in relation to the resolution to be proposed at the SGM regarding the adoption of the Revised Annual Caps.

**II. REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS**

References are made to the announcement of the Company dated November 22, 2022, the circular dated December 23, 2022 and the Announcement in relation to, among others, the entering into of the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement, the Existing Annual Caps, the revision of terms of the Yangxin Hongsheng Purchase Framework Agreement, and the revision of annual caps for the

LETTER FROM THE BOARD

transactions contemplated under the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement. Under the Yangxin Hongsheng Purchase Framework Agreement, the Group will purchase certain products from Yangxin Hongsheng, including, among others, anode scrap, and other products as agreed by the parties from time to time during the term thereof. Under the Parent Group Sales Framework Agreement, the Group will supply copper cathodes and certain other products to the Parent Group, which includes Huangshi Shengxiang.

On September 12, 2023, the Company and Yangxin Hongsheng reached an agreement to revise certain terms to the Yangxin Hongsheng Purchase Framework Agreement as to the list of products to be supplied by Yangxin Hongsheng to include anode plates, the relevant pricing policies, as well as the notice address of the Company. Save for the revisions as disclosed in the Announcement, the terms of the Yangxin Hongsheng Purchase Framework Agreement have not been changed or modified in any way.

The amount of anode scrap and anode plates to be purchased by the Group from Yangxin Hongsheng and the amount of copper cathodes to be supplied by the Group to the Parent Group are expected to increase, leading to an increase in the transaction amount under the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement, respectively. Accordingly, the Board envisages that the Existing Annual Caps will not be sufficient to fulfill the additional previously unforeseen transactions that may take place under each of the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement for the financial years ending December 31, 2023, 2024 and 2025, respectively.

1. Yangxin Hongsheng Purchase Framework Agreement

Principal Terms

References are made to the announcement of the Company dated November 22, 2022, the circular dated December 23, 2022 and the Announcement.

On September 12, 2023, the Company and Yangxin Hongsheng reached an agreement to revise certain terms to the Yangxin Hongsheng Purchase Framework Agreement as to the list of products to be supplied by Yangxin Hongsheng to include anode plates, the relevant pricing policies, as well as the notice address of the Company. Save for the revisions as disclosed in the Announcement, the terms of the Yangxin Hongsheng Purchase Framework Agreement have not been changed or modified in any way.

LETTER FROM THE BOARD

The principal terms of the revised Yangxin Hongsheng Purchase Framework Agreement are summarized below:

Date:	November 22, 2022 (revised on September 12, 2023)
Parties:	(1) the Company (2) Yangxin Hongsheng
Nature of transactions:	Yangxin Hongsheng will supply certain products to the Group, including copper concentrate, anode scrap, anode plates, anode mud and such other products as agreed by the parties from time to time.
Term:	January 1, 2023 to December 31, 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on (i) the Market Price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or (ii) a price determined by the internal documents of the Group developed with reference to the Market Price.

If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

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

Copper concentrate:	With reference to (as applicable): (i) the market price of copper as quoted on the London Metal Exchange; (ii) the market price of silver as quoted on the London Bullion Market Association; or (iii) the market price of gold as quoted on the London Bullion Market Association, adjusted with reference to the premium or discount quoted by Reuters, taking into account relevant smelting and processing costs.
---------------------	---

LETTER FROM THE BOARD

- Anode scrap: With reference to (as applicable): (i) the daily weighted average price or instant trading price of copper as quoted on the Shanghai Futures Exchange for the current month or the following month, taking into account relevant processing costs of blister copper of the purchaser as agreed under contract for the same period; (ii) the market price of gold as quoted on the Shanghai Gold Exchange; or (iii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange, and taking into account the corresponding grades of gold or silver respectively.
- Anode plates: With reference to (as applicable): (i) the daily weighted average price or instant trading price of copper as quoted on the Shanghai Futures Exchange for the current month or the following month, taking into account relevant processing costs of anode plates of the purchaser as agreed under contract for the same period; (ii) the market price of gold as quoted on the Shanghai Gold Exchange; or (iii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange, and taking into account the corresponding grades of gold or silver respectively.
- Anode mud: With reference to (as applicable): (i) the market price of copper as quoted on the Shanghai Futures Exchange; (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange; (iii) the market price of gold as quoted on the Shanghai Gold Exchange; (iv) the market price of selenium as quoted on Shanghai Metals Market (SMM); or (v) the market price of palladium as quoted on Shanghai Metals Market (SMM), and taking into account the corresponding grades of copper, silver, gold, selenium or palladium respectively.

Historical Transaction Amount

For the nine months ended September 30, 2023, the transaction amount incurred in respect of the transactions under the Yangxin Hongsheng Purchase Framework Agreement was approximately RMB6,219.21 million (unaudited). The Company also confirms that as of the Latest Practicable Date, the actual transaction amount has not exceeded the existing annual caps under the Yangxin Hongsheng Purchase Framework Agreement.

LETTER FROM THE BOARD

Revised Annual Caps of the Yangxin Hongsheng Purchase Framework Agreement

Accordingly, the Board resolved to revise the annual caps for the years ending December 31, 2023, 2024 and 2025 for the transactions as contemplated under the Yangxin Hongsheng Purchase Framework Agreement as follows:

Transactions under the Yangxin Hongsheng Purchase Framework Agreement

	Year ending December 31, 2023	Year ending December 31, 2024	Year ending December 31, 2025
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Existing annual caps	6,361,261	5,648,630	6,054,003
Revised annual caps	11,287,354	10,672,780	10,927,565

The above revised annual caps are determined with reference to (i) the projected increase of future orders based on the expected amount of, among others, copper concentrates, anode mud, anode scrap and anode plates to be purchased from Yangxin Hongsheng; (ii) historical purchase orders placed by the Group with other suppliers for the relevant products; and (iii) average historical market price and the anticipated future market price for the relevant products.

The increase in the annual caps is solely attributable to the purchase of anode scrap and anode plates from Yangxin Hongsheng. There is a slight growth in the increase from the existing annual caps to the revised annual caps for the year ending December 31, 2024, as compared with that for the year ending December 31, 2023. This is due to the expected increase in amount of anode plates to be purchased by the Group upon the completion of Yangxin Hongsheng's smelting furnace, which is further explained in the section headed "3. Reasons for and Benefits of the Adoption of Revised Annual Caps – Yangxin Hongsheng Purchase Framework Agreement".

Given that (i) there is a real need for the Company to increase the annual caps to purchase additional anode scrap and anode plates from Yangxin Hongsheng due to the unexpected delay of Yangxin Hongsheng's smelting furnace in reaching its production capacity and the Group's necessity to satisfy its production needs, which will be further elaborated below in the section headed "3. Reasons for and Benefits of the Adoption of Revised Annual Caps"; and (ii) the prices of the anode scrap and anode plates were determined by both parties with reference to the prevailing market price and are on normal commercial terms, the transactions contemplated under the Yangxin Hongsheng Purchase Framework Agreement and the adoption of the revised annual caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

2. Parent Group Sales Framework Agreement

Principal Terms

Date:	November 22, 2022
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Group will supply certain products to the Parent Group, including gold, silver, copper cathodes, copper concentrate, natural gas, residual heat power generation, water, electricity, raw materials, auxiliary equipment, supporting materials, spare part materials, production equipment, tools, sulfuric acid, dump truck, waste materials, scrap steel, scrap stainless steel, scrap copper cathodes mold, spare part materials, platinum, spongy palladium, crude selenium, tellurium ingot and such other products as agreed by the parties from time to time.
Term:	January 1, 2023 to December 31, 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the Market Price or a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

As of the Latest Practicable Date, prices for the supply of copper cathodes are determined by the parties with reference to (as applicable): the market price of copper as quoted on (i) the Shanghai Futures Exchange (adjusted with reference to the premium or discount quoted on metal spot websites) or, for copper cathodes for export, (ii) the London Metal Exchange (adjusted with reference to the premium or discount quoted by Reuters).

LETTER FROM THE BOARD

Historical Transaction Amount

For the nine months ended September 30, 2023, the transaction amount incurred in respect of the transactions under the Parent Group Sales Framework Agreement was approximately RMB10,287.48 million (unaudited). The Company also confirms that as of the Latest Practicable Date, the actual transaction amount has not exceeded the existing annual caps under the Parent Group Sales Framework Agreement.

Revised Annual Caps of the Parent Group Sales Framework Agreement

Accordingly, the Board resolved to revise the annual caps for the years ending December 31, 2023, 2024 and 2025 for the transactions as contemplated under the Parent Group Sales Framework Agreement as follows:

Transactions under the Parent Group Sales Framework Agreement

	Year ending December 31, 2023	Year ending December 31, 2024	Year ending December 31, 2025
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Existing annual caps	14,849,212	22,793,246	23,515,155
Revised annual caps	17,995,212	31,586,706	33,624,255

The above revised annual caps are determined with reference to (i) existing purchase orders placed by the Parent Group; (ii) projected further orders based on the expected increase in copper cathodes to be sold to the Parent Group as a result of the expected growth in the business of the Parent Group, including Huangshi Shengxiang; and (iii) average historical market price and the anticipated future market price for the relevant products, including but not limited to copper cathodes.

The increase in the annual caps for the three years ending December 31, 2025 is solely attributable to the increase in annual production volume of copper rods of Huangshi Shengxiang and in turn the sales of copper cathodes to the Parent Group. The details of the said factors are set out in the section headed “3. Reasons for and Benefits of the Adoption of Revised Annual Caps – Parent Group Sales Framework Agreement” below.

Given (i) the business growth of Huangshi Shengxiang, which will be further elaborated below in the section headed “3. Reasons for and Benefits of the Adoption of Revised Annual Caps”; and (ii) the prices of the copper cathodes were determined by both parties with reference to the prevailing market price and are on normal commercial terms, the transactions contemplated under the Parent Group Sales Framework Agreement and the adoption of the revised annual caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

3. Reasons for and Benefits of the Adoption of Revised Annual Caps

Yangxin Hongsheng Purchase Framework Agreement

The New Copper Cathode Production Plant of Yangxin Hongsheng has commenced production since October 2022 and its production capacity is gradually increasing. Currently, the annual production capacity of copper cathodes in terms of refining of Yangxin Hongsheng is approximately 300,000 tonnes and is expected to reach 450,000 tonnes in 2024. As to the annual production capacity in terms of rough smelting, the current production capacity is approximately 400,000 tonnes. As disclosed in the circular dated December 23, 2022, Yangxin Hongsheng's own smelting furnace for anode scrap was originally expected to be put into operation in June 2023. Due to the adjustments in production process, it would only reach its production capacity and standard in December 2023 as currently expected. As Yangxin Hongsheng does not have the ability to process anode scrap before its smelting furnace comes into operation, approximately an extra 7,000 tonnes of anode scrap per month for the period from June to December 2023 that was originally expected to be processed by Yangxin Hongsheng would be sold to the Group for processing. Further, a certain amount of anode scrap produced before June 2023 was initially reserved for Yangxin Hongsheng's own use and was expected to be processed by Yangxin Hongsheng itself in anticipation of the commencement of the operation of the smelting plant. Due to the delay, the said inventory of anode scrap has to be sold to the Group for processing. As a result of the foregoing, it is expected that the amount of anode scrap sold to the Group for processing would increase from approximately RMB1.2 billion under the original expectation to approximately RMB5.3 billion for the year ending December 31, 2023. In 2024 and 2025, the Group is expected to purchase a small amount of anode scrap of approximately RMB0.3 billion and RMB0.2 billion, respectively, from Yangxin Hongsheng which were unable to be treated by Yangxin Hongsheng in the event of overhaul or equipment failure.

For the year ending December 31, 2023, it is expected that the amount of anode plates purchased by the Group would amount to approximately RMB0.8 billion. Upon the completion of Yangxin Hongsheng's smelting furnace, the volume of intermediate products in the production process of copper cathodes, in particular anode plates, produced by Yangxin Hongsheng would increase. It is expected that there would be an excess of anode plates produced by Yangxin Hongsheng which was previously unforeseen due to an increase in the utilization rate of anode scrap. Provided that Yangxin Hongsheng's own needs for anode plates in electrolysis for production of copper cathodes are satisfied, the anode plates that are in excess would be sold to the Group. It is expected that the amount of such excess anode plates purchased by the Group would amount to approximately RMB4.7 billion for each of the two years ending December 31, 2025.

LETTER FROM THE BOARD

The anode scrap and anode plates produced by Yangxin Hongsheng would be able to further fulfill the Group's demand for anode scrap and anode plates sourced externally, which are used as raw materials for the Group's production of copper cathodes. Please refer to the section headed "3. Reasons for and Benefits of the Adoption of Revised Annual Caps – Parent Group Sales Framework Agreement" below for details of target sales volume of copper cathodes produced by the Group. Due to the aforementioned factors, the amount of anode scrap and anode plates to be purchased by the Group from Yangxin Hongsheng is expected to exceed the initial estimates for the years ending December 31, 2023, 2024 and 2025. The Board envisages that the existing annual caps will not be sufficient to fulfill the additional unforeseen transactions that may take place under the Yangxin Hongsheng Purchase Framework Agreement for the financial years ending December 31, 2023, 2024 and 2025 and therefore proposes to adopt the revised annual caps.

The Board is of the view that the revised annual caps of the Yangxin Hongsheng Purchase Framework Agreement will (i) allow the Group to secure cash flow necessary for production as the Group would be able to obtain anode plates with relatively stable price and a steady source of supply, and to produce copper cathodes with the anode plates and anode scrap for sale; (ii) allow the Group to obtain the anode scrap and anode plates which the Group requires for its production and operations with more favourable terms and better and more efficient communication as Yangxin Hongsheng is an intra-group supplier; (iii) assist the Group in ensuring a cost-effective, timely and stable source of supply of anode scrap and anode plates required for its operations considering the intra-group relationship and the close geographical proximity of the respective operations of the Group and Yangxin Hongsheng; and (iv) maximize the efficiency of production and utilization of inventory of both the Group and Yangxin Hongsheng.

Parent Group Sales Framework Agreement

In 2023, Huangshi Shengxiang experienced a significant increase in its sales of copper rods in the East China. The increase is mainly due to the (i) reduction of transportation costs and increase of areas of sales by improvement in packaging and shipping of goods via waterways; (ii) setting up of sales outlet in East China and arranging of personnel to find downstream manufacturers to expand its market; and (iii) improvement in the quality of copper rods produced. As of the end of July 2023, the annual production volume of copper rods of Huangshi Shengxiang reached 109,000 tonnes, and it is expected to reach 200,000 tonnes by the end of 2023. With the continuing growth in the business of Huangshi Shengxiang, it is expected that the annual production volume of copper rods will be reaching approximately 250,000 tonnes and 300,000 tonnes for the years ending December 31, 2024 and 2025 respectively.

As the production of copper rods by Huangshi Shengxiang requires raw materials of high quality, the Parent Group has to purchase copper cathodes to satisfy its production needs. Given the long-term business relationship of the Parent Group and the Group and the close geographical proximity of their respective operations, the administrative costs, transportation costs and time costs involved for such sales could be minimized. With the expected increasing

LETTER FROM THE BOARD

annual production volume of copper rods of Huangshi Shengxiang and as a result of the foregoing, the Parent Group will be purchasing more copper cathodes from the Group for production of copper rods for the three years ending December 31, 2025.

Taking into account the reasons set out above, the amount of copper cathodes to be supplied by the Group to the Parent Group is expected to exceed the initial estimates for the years ending December 31, 2023, 2024 and 2025. It is expected that for the three years ending December 31, 2025, the total sales volume of copper cathodes to the Parent Group will be approximately 260,000 tonnes, 440,000 tonnes and 470,000 tonnes, respectively. The Board envisages that the existing annual caps will not be sufficient to fulfill the additional unforeseen transactions that may take place under the Parent Group Sales Framework Agreement for the financial years ending December 31, 2023, 2024 and 2025 and therefore proposes to adopt the revised annual caps.

The Board is of the view that the revised annual caps of the Parent Group Sales Framework Agreement will (i) allow the Group to continue to serve as a reliable back-up source of supply of the relevant products, including but not limited to copper concentrates, to the Parent Group, catering for any unforeseen surge of demands or other contingencies on the part of the Parent Group; and (ii) broaden the revenue base of the Group and allow it to leverage on the sales network of the Parent Group in places including the PRC.

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

4. Internal Control Measures

The Company has established the connected transactions management committee, which is the discussion and decision-making body for the connected transactions management, and is led by the Board which directly and comprehensively manages the relevant matters of the connected transactions.

The Company has implemented stringent measures to monitor the pricing standards for the continuing connected transactions of the Group. The department heads of the relevant business departments are responsible for the initial price determination of the proposed connected transactions of the Group. Such initial price determination will be reported to and approved by the finance department of the Company. Then, these prices will be reported to the legal department of the Company, which is responsible for collating from the various business departments such information regarding the proposed connected transactions of the Group, and ensuring that the terms of any such proposed connected transactions are in compliance with applicable laws, rules and regulations. After all these review processes, the legal representative or authorized representative of the Company will execute such connected transactions on behalf of the Company. The capital operation department, finance department and legal

LETTER FROM THE BOARD

department of the Company are responsible for monitoring each of the connected transactions of the Group to ensure that they are conducted in accordance with its terms, including the relevant pricing mechanism and the periodic reporting of the relevant transaction amounts.

The enterprise development department and the finance department of the Company will monitor the continuing connected transactions and summarize the transaction amounts incurred under each of the connected transaction framework agreements regularly on a monthly basis, and reports will be submitted to the Board for its quarterly review. In the event that the actual transaction amount reaches 80% of the relevant annual cap, a re-assessment will be conducted. If it is determined after such re-assessment that the annual cap may be exceeded, the enterprise development department of the Company would initiate the procedures for a board meeting and/or shareholders' meeting (as and when required) to increase the annual cap as soon as practicable.

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

The Board is of the view that the above internal control measures can ensure that the transactions under the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement are conducted on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Information on the Parties

The Group

The Group is principally engaged in the exploitation of mineral resources, the mining and processing of mineral ores and the trading of metal products.

Yangxin Hongsheng is a limited liability company established in the PRC and principally engaged in the manufacturing and sale of metal materials and chemicals, and the sale of nonferrous alloys and bullion products. It is a non-wholly owned subsidiary of the Company, owned by Daye Metal as to 52.00%, China No. 15 Metallurgical (a wholly-owned subsidiary of CNMC) as to 24%, Huangshi Xingang Development as to 16% and Huangshi State-owned Assets Management as to 8%, respectively as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Parent Group

The Parent Company is a state-owned conglomerate in the PRC. Its controlling shareholder is CNMC, a state-owned enterprise established in the PRC. The principal business of the Parent Group is copper mining and processing. The Parent Group has a fully integrated operation which enables it to undertake the different stages of copper production from mining, processing, smelting and plating, research and development, design to sales and trading.

China Times is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. It is the immediate controlling Shareholder and is a wholly-owned subsidiary of the Parent Company.

Huangshi Shengxiang is a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of the Parent Company. The principal business of Huangshi Shengxiang is the manufacturing of copper rods.

6. Listing Rules Implications

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

As at the Latest Practicable Date, China Times directly held 11,962,999,080 Shares, representing approximately 66.85% of the issued share capital of the Company, and is a wholly owned subsidiary of the Parent Company. Accordingly, the Parent Company is a controlling shareholder of the Company indirectly interested in approximately 66.85% of the issued share capital of the Company, and CNMC is the controlling shareholder of the Parent Company holding approximately 57.99% of the equity interests in the Parent Company. Therefore, each of China Times, the Parent Company and CNMC is a connected person of the Company. Yangxin Hongsheng is owned by Daye Metal as to 52.00%, China No. 15 Metallurgical (a wholly-owned subsidiary of CNMC) as to 24%, Huangshi Xingang Development as to 16% and Huangshi State-owned Assets Management as to 8%, respectively. Accordingly, Yangxin Hongsheng is a connected subsidiary of the Company. As a result, the transactions contemplated under the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the Revised Annual Caps exceeds 5%, the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in, or is required to abstain from voting on the resolutions passed by the Board to approve the adoption of Revised Annual Caps.

LETTER FROM THE BOARD

7. Independent Board Committee and Independent Financial Adviser

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the fairness and reasonableness of the adoption of the Revised Annual Caps, after taking into account the recommendations of the Independent Financial Adviser. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

III. SPECIAL GENERAL MEETING

The SGM will be convened and held at Function Room 4 & 6, 3/F, The Mira Hong Kong, Mira Place, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, November 22, 2023 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the adoption of the Revised Annual Caps. The notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular. China Times, which directly held 11,962,999,080 Shares (representing 66.85% of the issued share capital of the Company) as at the Latest Practicable Date, will abstain from voting on the resolution approving the adoption of the Revised Annual Caps.

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

The record date for determining Shareholders' right to attend and vote at the SGM is Friday, November 17, 2023. For determining the eligibility to attend and vote at the SGM, the register of members of the Company will be closed from Friday, November 17, 2023 to Wednesday, November 22, 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer of Shares documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, November 16, 2023.

IV. PROXY ARRANGEMENT

A form of proxy for use at the SGM is despatched to Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hk661.com). Whether or not you are able to attend the SGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof if they so wish and in such event, the proxy form shall be deemed to be revoked.

LETTER FROM THE BOARD

V. VOTING BY WAY OF POLL

Pursuant to bye-law 66(1) of the Current Bye-Laws and Rule 13.39(4) of the Listing Rules, any vote of the Shareholders to be taken at a general meeting of the Company shall be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement of the poll results will be made by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

VI. RECOMMENDATION

The Independent Board Committee, having taken into account and based on the recommendation of the Independent Financial Adviser, considers that the adoption of the Revised Annual Caps for the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee has recommended the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the adoption of the Revised Annual Caps for the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement.

VII. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 19 to 20 of this circular, containing its recommendation in respect of the adoption of the Revised Annual Caps; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 21 to 38 of this circular, containing its recommendation in respect of the adoption of the Revised Annual Caps; and (iii) the additional information set out in the appendices to this circular.

Yours faithfully,

By order of the Board

China Daye Non-Ferrous Metals Mining Limited

Xiao Shuxin

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



中國大冶有色金屬礦業有限公司

China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00661)

November 7, 2023

To the Independent Shareholders

Dear Sir or Madam,

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated November 7, 2023 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

We have been authorized by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in its opinion, the adoption of the Revised Annual Caps are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of our Group and in the interests of the Company and the Shareholders as a whole. Amasse Capital Limited, the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the “Letter from the Board” set out on pages 5 to 18 of the Circular; (ii) the “Letter from the Independent Financial Adviser” set out on pages 21 to 38 of the Circular and (iii) the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that the adoption of the Revised Annual Caps for the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement and the transactions contemplated thereunder are (i) entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the adoption of the Revised Annual Caps for the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement.

Yours faithfully,
for and on behalf of
the Independent Board Committee
Liu Fang Wang Qihong Liu Jishun
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the full text of the letter received from Amasse Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular.

AMASSE CAPITAL
寶 積 資 本

7 November 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Revised Annual Caps for the three financial years ending 31 December 2025 in respect of the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement.

Details of the Revised Annual Caps are set out in the letter from the Board contained in the circular of the Company dated 7 November 2023 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company regarding (i) non-exempt continuing connected transactions, details of which are set out in the circular of the Company dated 23 December 2022; and (ii) revision of annual caps for continuing connected transactions, details of which are set out in the circular of the Company dated 15 June 2023 (collectively, the “**Previous Appointments**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With regard to our independence from the Company, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the Previous Appointments as well as the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence; and (ii) we have maintained our independence from the Company during the Previous Appointments. Accordingly, we consider that the Previous Appointments would not affect our independence, and that we are independent from the Company pursuant to the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (collectively, the “**Management**”). We have reviewed information on the Company, including but not limited to (i) the announcement of the Company dated 12 September 2023; (ii) the revised Yangxin Hongsheng Purchase Framework Agreement; (iii) the Parent Group Sales Framework Agreement; and (iv) other information contained in the Circular. We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular as a whole misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Yangxin Hongsheng Purchase Framework Agreement, the Parent Group Sales Framework Agreement or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement (including the Revised Annual Caps). We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be construed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion, we have taken into consideration the following principal factors and reasons.

1. Background Information on the Group, Yangxin Hongsheng and the Parent Group

The Group

The Group is principally engaged in the exploitation of mineral resources, the mining and processing of mineral ores and the trading of metal products.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Yangxin Hongsheng

Yangxin Hongsheng is limited liability company established in the PRC and principally engaged in the manufacturing and sale of metal materials and chemicals, and the sale of nonferrous alloys and bullion products. It is a non-wholly owned subsidiary of the Company, owned by Daye Metal as to 52.00%, China No. 15 Metallurgical (a wholly-owned subsidiary of CNMC) as to 24%, Huangshi Xingang as to 16% and Huangshi State-owned Assets Management as to 8%, respectively. It owns the New Copper Cathode Production Plant and the operations of which commence since October 2022.

The Parent Group

The Parent Company is a state-owned conglomerate in the PRC. Its controlling shareholder is CNMC, a state-owned enterprise established in the PRC. The principal business of the Parent Group is copper mining and processing. The Parent Group has a fully integrated operation which enables it to undertake the different stages of copper production from mining, processing, smelting and plating, research and development, design to sales and trading.

2. Major Terms of the Revised Yangxin Hongsheng Purchase Framework Agreement

Date:	22 November 2022 (revised on 12 September 2023)
Parties:	(1) the Company; and (2) Yangxin Hongsheng.
Nature of transactions:	Yangxin Hongsheng will supply certain products to the Group, including copper concentrate, anode scrap, anode plates, anode mud and such other products as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.
Pricing mechanism:	Based on (i) the Market Price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or (ii) a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing policy

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

- Copper concentrate: With reference to (as applicable): (i) the market price of copper as quoted on the London Metal Exchange; (ii) the market price of silver as quoted on the London Bullion Market Association; or (iii) the market price of gold as quoted on the London Bullion Market Association, adjusted with reference to the premium or discount quoted by Reuters, taking into account relevant smelting and processing costs.
- Anode scrap: With reference to (as applicable): (i) the daily weighted average price or instant trading price of copper as quoted on the Shanghai Futures Exchange for the current month or the following month, taking into account relevant processing costs of blister copper of the purchaser as agreed under contract for the same period; (ii) the market price of gold as quoted on the Shanghai Gold Exchange; or (iii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange, and taking into account the corresponding grades of gold or silver respectively.
- Anode plates: With reference to (as applicable): (i) the daily weighted average price or instant trading price of copper as quoted on the Shanghai Futures Exchange for the current month or the following month, taking into account relevant processing costs of anode plates of the purchaser as agreed under contract for the same period; (ii) the market price of gold as quoted on the Shanghai Gold Exchange; or (iii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange, and taking into account the corresponding grades of gold or silver respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Anode mud:

With reference to (as applicable): (i) the market price of copper as quoted on the Shanghai Futures Exchange; (ii) the market price of silver as quoted on the Shanghai Huatong Silver Exchange; (iii) the market price of gold as quoted on the Shanghai Gold Exchange; (iv) the market price of selenium as quoted on Shanghai Metals Market (SMM); or (v) the market price of palladium as quoted on Shanghai Metals Market (SMM), and taking into account the corresponding grades of copper, silver, gold, selenium or palladium respectively.

Reasons for and benefits of the adoption of the Revised Annual Caps

The New Copper Cathode Production of Yangxin Hongsheng has commenced production since October 2022 and its production capacity is gradually increasing. Currently, the annual production capacity of copper cathodes (in terms of refining) of Yangxin Hongsheng is approximately 300,000 tonnes and is expected to reach 450,000 tonnes in 2024. As to the annual production capacity in terms of rough smelting, the current production capacity is approximately 400,000 tonnes. As disclosed in the Continuing Connected Transactions Circular, Yangxin Hongsheng's own smelting furnace for anode scrap was originally expected to be put into operation in June 2023. Due to the adjustments in production process, it would only reach its production capacity and standard in December 2023 as currently expected. As Yangxin Hongsheng does not have the ability to process anode scrap before its smelting furnace comes into operation, approximately an extra 7,000 tonnes of anode scrap per month for the period from June to December 2023 that was originally expected to be processed by Yangxin Hongsheng would be sold to the Group for processing.

Upon the completion of Yangxin Hongsheng's smelting furnace, the volume of intermediate products in the production process of copper cathodes, in particular anode plates, produced by Yangxin Hongsheng would increase. It is expected that there would be an excess of anode plates produced by Yangxin Hongsheng which was previously unforeseen due to an increase in the utilization rate of anode scrap. Provided that Yangxin Hongsheng's own needs for anode plates in electrolysis for production of copper cathodes are satisfied, the anode plates that are in excess would be sold to the Group.

The anode scrap and anode plates produced by Yangxin Hongsheng would be able to further fulfill the Group's demand for anode scrap and anode plates sourced externally, which are used as raw materials for the Group's production of copper cathodes. To further maximise the efficiency of production and utilization of inventory of both the Group and Yangxin Hongsheng, and to secure the cash flow necessary for production, the Group expects that the amount of anode scrap and anode plates to be purchased by the Group from Yangxin Hongsheng during the years ending December 31, 2023, 2024 and 2025 will increase.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with the Management and understand that (i) Yangxin Hongsheng will be able to act as an intra-group supplier that provides a better and more efficient communication with the Group, and the Group may be able to negotiate more favourable terms with Yangxin Hongsheng, as compared with other suppliers, to obtain the copper concentrate, anode scrap, anode plate and anode mud which the Group requires for its production and operations; and (ii) given the intra-group relationship between the Group and Yangxin Hongsheng and the close geographical proximity of their respective operations, the Directors consider that the entering into of the Yangxin Hongsheng Purchase Framework Agreement will allow the Group to secure a cost effective, timely and stable source of supply of those products.

We have obtained from the Company and reviewed the Group's relevant internal control manual. We note that when considering the terms of the relevant products, the Company shall primarily refer to the government-prescribed price. If such government-prescribed price is not available, the Group shall refer to the Market Price and/or quotes from other independent third parties.

We have reviewed the revised Yangxin Hongsheng Purchase Framework Agreement and note that the basis of determining the prices for the products are clearly stated thereunder, which is primarily made with reference to the Market Price. We note that the Group must obtain at least two quotes from other independent third parties as part of the assessment of the Market Price. Further, the terms offered by Yangxin Hongsheng to the Group must be equal to or more favourable than those offered to its other independent customers (if available). In addition, we have obtained from the Company and reviewed samples of existing contracts for the relevant products. We note that the prices of the relevant products were primarily determined with reference to the Market Price, such as the market price as quoted on the Shanghai Futures Exchange, the London Bullion Market Association and the London Metal Exchange. We consider that the Company has complied with its internal control procedures and the contract prices under the samples are in line with the Company's pricing policy as described above.

In view of the aforementioned factors, we are of the view that the pricing mechanism of the products under the Yangxin Hongsheng Purchase Framework Agreement is fair and reasonable.

Further, we have interviewed with the Management and understand that the directors and senior management of the Company will monitor closely and review regularly the continuing connected transactions of the Company. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to the continuing connected transactions, the independence of the Company; the fairness of the price of the transactions; the fairness of the terms of the transactions; and the right of the Company to conduct transactions with independent third parties other than Yangxin Hongsheng. The relevant arrangements include: (i) the continuing connected transactions contemplated under the Yangxin Hongsheng Purchase Framework Agreement are conducted on a non-exclusive basis; (ii) upon the signing of the Yangxin Hongsheng Purchase Framework Agreement and its approval by the Independent Shareholders, the relevant business department of the Company will be responsible for the implementation of the Yangxin Hongsheng Purchase Framework Agreement; and (iii) before

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the signing of each individual agreement, the finance department of the Company will evaluate the terms, including the fairness of the price, of the agreement as well as monitor the Company's existing continuing connected transactions, and review whether the Company's transactions are fair and reasonable in accordance with the terms of the Yangxin Hongsheng Purchase Framework Agreement and internal control manual. As such, we are of the view that the Company has a sound risk management system to safeguard the interest of the Independent Shareholders.

In conclusion, we are of the view that entering into the revised Yangxin Hongsheng Purchase Framework Agreement is in the interests of the Group and the Shareholders as a whole.

Revised Annual Caps under the Yangxin Hongsheng Purchase Framework Agreement

The table below sets out (i) the Existing Annual Caps; (ii) the historical amounts for the nine months ended 30 September 2023; and (iii) the Revised Annual Caps for each of the three years ending 31 December 2025 under the Yangxin Hongsheng Purchase Framework Agreement:

	Historical amounts/annual caps for the period/year ending 31 December		
	2023	2024	2025
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Existing Annual Caps	6,361,260	5,648,630	6,054,003
Historical amounts	6,219,210 ^(Note)	N/A	N/A
Revised Annual Caps	11,287,354	10,672,780	10,927,565

Note: being the transaction amount under the Yangxin Hongsheng Purchase Framework Agreement for the nine months ended 30 September 2023.

We understand that the Revised Annual Caps have been determined with reference to (i) the projected increase of future orders based on the expected amount of, among others, copper concentrates, anode mud, anode scrap and anode plates to be purchased from Yangxin Hongsheng; (ii) historical purchase orders placed by the Group with other suppliers for the relevant products; and (iii) average historical market price and the anticipated future market price for the relevant products.

In order to assess the fairness and reasonableness of the Revised Annual Caps, we have obtained from the Management and reviewed the relevant calculations of the Revised Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Revised Annual Caps in FY2023, FY2024 and FY2025 are approximately RMB11.3 billion, RMB10.7 billion and RMB10.9 billion, respectively. We have interviewed with the Management and understand that the Revised Annual Caps were determined as follows:

- (i) the Revised Annual Caps in FY2023 is primarily made with reference to (a) the historical purchase amount between the Company and Yangxin Hongsheng for the nine months ended 30 September 2023 of approximately RMB6.2 billion; (b) Yangxin Hongsheng does not have the ability to process anode mud (which is an intermediate product). Therefore, it is intended for the anode mud as produced by Yangxin Hongsheng to be sold to other members of the Group for processing. Based on the estimation on the amount and price of anode mud and the production capacity of Yangxin Hongsheng, it is expected that the total purchase amount by the Group for the anode mud will amount to approximately RMB2.8 billion to RMB2.9 billion for each of the three years ending 31 December 2025; (c) as disclosed in the circular of the Company dated 23 December 2022, Yangxin Hongsheng's own smelting furnace for, among others, the anode scrap (which is an intermediate product) was originally expected to be ready for operation around June 2023, and therefore (i) most of the anode scrap produced before June 2023 would be reserved for its own needs and be processed by itself once the smelting furnace is ready for operation; and (ii) the anode scrap produced during July to December 2023 would not have to be sold to members of the Group and be processed by itself once the smelting furnace is ready for operation. Based on such original expectation, Yangxin Hongsheng would only have to sell an amount of approximately RMB1.2 billion of excess anode scrap to members of the Group in FY2023. However, due to the adjustments in production process that have caused a delay, the smelting furnace is now expected to be ready for operation around December 2023. As a result, most of the anode scrap produced by Yangxin Hongsheng throughout the year 2023 (including the period from July to December 2023) will have to be sold to other members of the Group for processing. Based on the estimation on the amount and price of anode scrap and the production capacity of Yangxin Hongsheng, it is currently expected that the total purchase amount by the Group for the anode scrap produced by Yangxin Hongsheng will increase from approximately RMB1.2 billion under the original expectation to approximately RMB5.3 billion under the current expectation for FY2023. Once Yangxin Hongsheng's own smelting furnace is ready for operation, the anode scrap produced by Yangxin Hongsheng will be processed by itself thereafter; (d) the inclusion of anode plates into the list of products to be provided by the Group to Yangxin Hongsheng under the revised Yangxin Hongsheng Purchase Framework Agreement, which it is expected that the total purchase amount by the Group for the excess anode plate produced by Yangxin Hongsheng will amount to approximately RMB0.8 billion in FY2023; and (e) the increase in procurement of raw materials such as copper concentrate following commencement of operation of the New Copper Cathode Production Plant in October 2022;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the slight decreases in the Revised Annual Caps in FY2024 and FY2025 as compared with FY2023 are mainly due to (a) most of the anode scrap produced by Yangxin Hongsheng will be processed by itself and no longer required to be sold to other members of the Group for processing once Yangxin Hongsheng's own smelting furnace is ready for operation in December 2023. In FY2024 and FY2025, the Group is expected to purchase a small amount of anode scrap of approximately RMB0.3 billion and RMB0.2 billion, respectively, from Yangxin Hongsheng which were unable to be treated by Yangxin Hongsheng in the event of overhaul or equipment failure; (b) following operation of the Yangxin Hongsheng's own smelting furnace starting from 2024, the volume of intermediate products produced, in particular anode plates, during the relevant smelting processes will increase. It is expected that there would be an excess of anode plates produced by Yangxin Hongsheng which was previously unforeseen due to an increase in the utilization rate of anode scrap. After satisfying Yangxin Hongsheng's own needs for anode plates in electrolysis system used for production of copper cathodes, it is anticipated that there would be an excess of approximately 6,000 tonnes of anode plates per month produced by Yangxin Hongsheng. These excesses of anode plates produced by Yangxin Hongsheng would be sold to the Group and able to partially fulfill the Group's demand for anode plates, which are further processed to facilitate the production of the Group's copper cathodes. It is expected that the total purchase amount by the Group for these excess anode plates produced by Yangxin Hongsheng will be approximately RMB4.7 billion in each of FY2024 and FY2025, respectively; and (c) the gradual increase in level of operation of the New Copper Cathode Production Plant following its commencement of operation in October 2022; and
- (iii) the Company has entered into letter of intents with Yangxin Hongsheng which have explicitly set out the target sales volume of certain products under the Yangxin Hongsheng Purchase Framework Agreement for each of the three years ending 31 December 2025. We have obtained from the Management and reviewed the letter of intents, and understood that both parties have reached consensus on the target sales volume as stated thereunder. There will be no consequence or penalty on the Company for not reaching the target volume.

Further, we have conducted analysis on the copper price and reviewed the "World Economic Outlook Database" published by the International Monetary Fund in April 2023 (www.imf.org). According to the database, it is noted that the copper price per ton has increased from US\$6,174 in 2020 to US\$8,828 in 2022, and forecasted to amount to US\$8,653 in 2023, US\$8,568 in 2024 and US\$8,553 in 2025. We note that the copper prices are expected to remain relatively higher for the upcoming few years as compared with the price in 2020, and it is in line with the unit price adopted by the Company to determine the Revised Annual Caps.

Taking into account the above factors as a whole, we are of the view that the Revised Annual Caps under the Yangxin Hongsheng Purchase Framework Agreement are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Major Terms of the Parent Group Sales Framework Agreement

Date:	22 November 2022
Parties:	(3) the Company; and (4) the Parent Company
Nature of transactions:	The Group will supply certain products to the Parent Group, including gold, silver, copper cathodes, copper concentrate, natural gas, residual heat power generation, water, electricity, raw materials, auxiliary equipment, supporting materials, spare part materials, production equipment, tools, sulfuric acid, dump truck, waste materials, scrap steel, scrap stainless steel, scrap copper cathodes mold, spare part materials, platinum, spongy palladium, crude selenium, tellurium ingot and such other products as agreed by the parties from time to time.
Term:	1 January 2023 to 31 December 2025.
Time and method of payment:	Based on market practice.

Pricing policy

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

Reasons for and benefits of the adoption of the Revised Annual Caps

In 2023, Huangshi Shengxiang experienced a significant increase in its sales of copper rods in the East China. The increase is mainly due to the (i) reduction of transportation costs and increase of areas of sales by improvement in packaging and shipping of goods via waterways; (ii) setting up of sales outlet in East China and arranging of personnel to find downstream manufacturers to expand its market; and (iii) improvement in the quality of copper rods produced. As of the end of July 2023, the annual production volume of copper rods of Huangshi Shengxiang reached 109,000 tonnes, and it is expected to reach 200,000 tonnes by the end of 2023. With the continuing growth in the business of Huangshi Shengxiang, it is expected that the annual production volume of copper rods will be reaching approximately 250,000 tonnes and 300,000 tonnes for the two years ending December 31, 2024 and 2025 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the production of copper rods by Huangshi Shengxiang requires raw materials of high quality, the Parent Group has to purchase copper cathodes to satisfy its production needs. Given the long-term business relationship of the Parent Group and the Group and the close geographical proximity of their respective operations, the administrative costs, transportation costs and time costs involved for such sales could be minimised. With the expected increasing annual production volume of copper rods of Huangshi Shengxiang and as a result of the foregoing, the Parent Group will be purchasing more copper cathodes from the Group for production of copper rods for the three years ending December 31, 2023, 2024 and 2025 with the expected increasing production volume of copper rods of Huangshi Shengxiang and the amount of copper cathodes to be supplied by the Group to the Parent Group are expected to exceed the initial estimates for the years ending December 31, 2023, 2024 and 2025.

The Board is of the view that the revised annual caps of the Parent Group Sales Framework Agreement will (i) allow the Group to continue to serve as a reliable back-up source of supply of the relevant products, including but not limited to copper concentrates to the Parent Group, catering for any unforeseen surge of demands or other contingencies on the part of the Parent Group; and (ii) broaden the revenue base of the Group and allow it to leverage on the sales network of the Parent Group in places including the PRC.

We have discussed with the Management and understand that entering into the Parent Group Sales Framework Agreement will broaden the revenue base of the Group and allow it to leverage on the sales network of the Parent Group in the PRC and Hong Kong.

We have obtained from the Company and reviewed the Group's relevant internal control manual. We note that when considering the terms of the relevant products, the Company shall primarily refer to the government-prescribed price. If such government-prescribed price is not available, the Group shall refer to the Market Price and/or quotes from other independent third parties.

We have also reviewed the Parent Group Sales Framework Agreement and note that the basis of determining the prices for the products are clearly stated thereunder, which is primarily made with reference to the relevant government-prescribed price, or the Market Price if there is no applicable government-prescribed price. In addition, we have obtained from the Company and reviewed samples of existing contracts for the relevant products. We note that the prices of the relevant products were primarily determined with reference to the Market Price, such as the market price as quoted on the Shanghai Futures Exchange. We consider that the Company has complied with its internal control procedures and the contract prices under the samples are in line with the Company's pricing policy as described above.

In view of the aforementioned factors, we are of the view that the pricing mechanism of the products under the Parent Group Sales Framework Agreement is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Further, we have interviewed with the Management and understand that the directors and senior management of the Company will monitor closely and review regularly the continuing connected transactions of the Company. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to the continuing connected transactions, the independence of the Company; the fairness of the price of the transactions; the fairness of the terms of the transactions; and the right of the Company to conduct transactions with independent third parties other than the Parent Group. The relevant arrangements include: (i) the continuing connected transactions contemplated under the Parent Group Sales Framework Agreement are conducted on a non-exclusive basis; (ii) upon the signing of the Parent Group Sales Framework Agreement and its approval by the Independent Shareholders, the relevant business department of the Company will be responsible for the implementation of the Parent Group Sales Framework Agreement; and (iii) before the signing of each individual agreement, the finance department of the Company will evaluate the terms, including the fairness of the price, of the agreement as well as monitor the Company's existing continuing connected transactions, and review whether the Company's transactions are fair and reasonable in accordance with the terms of the Parent Group Sales Framework Agreement and internal control manual. As such, we are of the view that the Group has a sound risk management system to safeguard the interest of the Company.

Moreover, we are given to understand that the business model of the Group and the Parent Group are distinct and there should not be any significant direct competition among the businesses of the Group and the Parent Group given that (i) the core copper-related business of the Parent Group has already been transferred to the Group; (ii) the Parent Group is mainly engaged in the midstream to downstream business (e.g. processing of coarse copper into anode plates, production and sales of copper rods and copper tubes), while the Group is mainly engaged in the upstream to midstream business (e.g. exploration, mining and processing of copper ore, smelting of copper concentrates and sales of copper cathodes); and (iii) the trading business, which is a core business of the Parent Group, will not be a core business of the Group.

In conclusion, we are of the view that entering into the Parent Group Sales Framework Agreement is in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revised Annual Caps under the Parent Group Sales Framework Agreement

The table below sets out (i) the Existing Annual Caps; (ii) the historical amounts for the nine months ended 30 September 2023; and (iii) the Revised Annual Caps for each of the three years ending 31 December 2025 under the Parent Group Sales Framework Agreement:

	Historical amounts/annual caps for the period/year ending 31 December		
	2023	2024	2025
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Existing Annual Caps	14,849,212	22,793,246	23,515,155
Historical amounts	10,287,480 ^(Note)	N/A	N/A
Revised Annual Caps	17,995,212	31,586,706	33,624,255

Note: being the transaction amount under the Parent Group Sales Framework Agreement for the nine months ended 30 September 2023.

We understand that the Revised Annual Caps have been determined with reference to (i) existing purchase orders placed by the Parent Group; (ii) projected future orders based on the expected increase in the products to be sold to the Parent Group as a result of the expected growth in the business of the Parent Group, including Huangshi Shengxiang; and (iii) the average historical market price and the anticipated future market price for the relevant products, including but not limited to copper cathodes.

In order to assess the fairness and reasonableness of the Revised Annual Caps, we have obtained from the Management and reviewed the relevant calculations of the Revised Annual Caps.

We note that the major product expected to be sold by the Group to the Parent Group under the Parent Group Sales Framework Agreement is the copper cathode. As advised by the Management, the Group's current production capacity of copper cathodes is approximately 850,000 tonnes per year.

As advised by the Management, the New Copper Cathode Production Plant has commenced its operation since October 2022. The New Copper Cathode Production Plant has increased and will gradually further increase the Group's total production capacity of copper cathode, and also the demand for relevant raw materials such as copper concentrate and scrap copper for production purpose.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have enquired with the Management and set out below the expected production amount by the Group and sales volume of copper cathode by the Group to the Parent Group in FY2023, FY2024 and FY2025:

	FY2023	FY2024	FY2025
	<i>approx.</i>	<i>approx.</i>	<i>approx.</i>
	<i>tonnes</i>	<i>tonnes</i>	<i>tonnes</i>
Total expected production of copper cathode by the Group	700,000	950,000	1,000,000
Expected sales volume of copper cathode by the Group to the Parent Group	260,000	440,000	470,000

As advised by the Management, it is expected that the Group will conduct certain maintenance and repairing works for its production plants in FY2023 and thus will affect its total expected production of copper cathode in FY2023 as compared with its existing total production capacity. Further, we note that the estimated sales volume of copper cathode by the Group to the Parent Group during the three years ending 31 December 2025 ranges from approximately 37.1% to 47.0% of the Group's total expected production of copper cathode, and it is within the Group's production capacity.

The Revised Annual Caps in FY2023, FY2024 and FY2025 are approximately RMB16.2 billion, RMB28.9 billion and RMB30.7 billion, respectively. We have interviewed with the Management and understand that the Revised Annual Caps were determined with reference to, among others:

- (i) the Revised Annual Caps in FY2023 is primarily made with reference to (a) the growth trend in the historical sales amount between the Company and the Parent Group during the past two to three years. The historical sales amount for the three years ended 31 December 2022 had been increasing from approximately RMB2.9 billion to RMB5.0 billion and further to RMB6.4 billion, respectively; (b) the historical sales amount between the Company and the Parent Group during the eight months ended 30 September 2023 has reached approximately RMB10.3 billion; (c) in late 2022, it was originally expected to sell an amount of approximately RMB9.4 billion of copper cathode by the Group to Huangshi Shengxiang (being a member of the Parent Group). Huangshi Shengxiang has successfully penetrated markets in the East China during 2023, resulting in increased sales in its copper rods. Consequently, such increase in copper rod sales also leads to an increased demand for copper cathodes by Huangshi Shengxiang, which serve as one of its raw materials for production. As a result, the sales amount of copper cathode by the Group to Huangshi Shengxiang is expected to increase from approximately RMB9.4 billion under the original expectation to approximately RMB12.6 billion in FY2023 under the current expectation;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the increases in the Revised Annual Caps in FY2024 and FY2025 as compared with FY2023 are mainly due to (a) the increasing production capacity of the New Copper Cathode Production Plant and the anticipated corresponding additional sales of copper cathode; and (b) the increase in estimated sales volume of copper cathode by the Group to the Parent Group, including but not limited to the expected further increase in sales of copper cathode by the Group to Huangshi Shengxiang given the anticipated increased sales in its copper rods during the two years ending 31 December 2024 and 2025. The sales amount of copper cathode by the Group to Huangshi Shengxiang is expected to increase from approximately RMB10.1 billion for each of FY2024 and FY2025 under the original expectation to approximately RMB18.9 billion for FY2024 and RMB20.2 billion for FY2025 under the current expectation; and
- (iii) the Company has entered into letter of intents with members of the Parent Group, which have explicitly set out the target sales volume of certain products under the Parent Group Sales Framework Agreement for each of the three years ending 31 December 2025. We have obtained from the Management and reviewed the letter of intents, and understood that both parties have reached consensus on the target sales volume as stated thereunder.

Further, we have conducted analysis on the copper price and reviewed the “World Economic Outlook Database” published by the International Monetary Fund in April 2023 (www.imf.org). According to the database, it is noted that the copper price per ton has increased from US\$6,174 in 2020 to US\$8,828 in 2022, and forecasted to amount to US\$8,653 in 2023, US\$8,568 in 2024 and US\$8,553 in 2025. We note that the copper prices are expected to remain relatively higher for the upcoming few years as compared with the price in 2020, and it is in line with the unit price adopted by the Company to determine the Revised Annual Caps.

Taking into account the above factors as a whole, we are of the view that the Revised Annual Caps under the Parent Group Sales Framework Agreement are fair and reasonable.

4. INTERNAL CONTROL MEASURES

The Company has established the connected transactions management committee, which is the discussion and decision-making body for the connected transactions management, and is led by the Board which directly and comprehensively manages the relevant matters of the connected transactions.

The Company has implemented stringent measures to monitor the pricing standards for the continuing connected transactions of the Group. The department heads of the relevant business departments are responsible for the initial price determination of the proposed connected transactions of the Group. Such initial price determination will be reported to and approved by the finance department of the Company. Then, these prices will be reported to the legal department of the Company, which is responsible for collating from the various business departments such information regarding the proposed connected transactions of the Group, and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ensuring that the terms of any such proposed connected transactions are in compliance with applicable laws, rules and regulations. After all these review processes, the legal representative or authorised representative of the Company will execute such connected transactions on behalf of the Company.

The capital operation department, finance department and legal department of the Company are responsible for monitoring each of the connected transactions of the Group to ensure that they are conducted in accordance with its terms, including the relevant pricing mechanism and the periodic reporting of the relevant transaction amounts.

The enterprise development department and the finance department of the Company will monitor the continuing connected transactions and summarise the transaction amounts incurred under each of the connected transaction framework agreements regularly on a monthly basis, and reports will be submitted to the Board for its quarterly review. In the event the actual transaction amount reaches 80% of the relevant annual cap, a re-assessment will be conducted. If it is determined after such re-assessment that the annual cap may be exceeded, the enterprise development department of the Company would initiate the procedures for a board meeting and/or shareholders' meeting (as and when required) to increase the annual cap as soon as practicable.

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that the Yangxin Hongsheng Purchase Framework Agreement and the Parent Group Sales Framework Agreement (including the Revised Annual Caps) are (i) entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the resolution(s) in relation to the adoption of the Revised Annual Caps to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Amasse Capital Limited
Keith Chan
Associate Director

Mr. Keith Chan is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a responsible officer of Amasse Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 7 years of experience in corporate finance industry.

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

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.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading positions of the Company since December 31, 2022, being the date to which the latest published audited financial statements of the Company have been made up.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, were as follows:

Name of Director	Capacity	Number of Shares/underlying Shares	Approximate percentage of shareholding (%) (Note 2)	Long position/short position
Wang Qihong	Beneficial owner	594,000	0.00	Long position
	Interest of spouse	1,000,000 (Note 1)	0.01	Long position

Notes:

1. Mr. Wang Qihong is deemed to be interested in 1,000,000 Shares through the interests of his spouse, Ms. Geng Shuang, pursuant to Part XV of the SFO.
2. The shareholding percentage was calculated based on 17,895,579,706 issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares or the underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

As at the Latest Practicable Date, each of Mr. Xiao Shuxin, Mr. Zhang Jinzhong, Mr. Chen Zhimiao and Mr. Zhang Guangming was an employee of the Parent Company. Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors was a director or an employee of a company which had an interest or short position in the Company's shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the interests or short positions of the Shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director or chief executive of the Company) in the Shares or underlying Shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and the Stock Exchange were as follows:

Name of Shareholder	Nature of interest	Number of Shares/underlying Shares	Approximate Long percentage of shareholding (%) (Note 2)	Long position/short position
China Times	Beneficial owner	11,962,999,080	66.85	Long position
Parent Company	Interest in a controlled corporation	11,962,999,080 (Note 1)	66.85	Long position
CNMC	Interest in a controlled corporation	11,962,999,080 (Note 1)	66.85	Long position
China Cinda Asset Management Co., Limited	Beneficial owner	749,590,000	4.19	Long position

Notes:

- These Shares were held by China Times, the entire issued capital of which were beneficially owned by the Parent Company. 57.99% of the equity interest in Parent Company were beneficially owned by CNMC.
- The percentage of shareholding is calculated based on 17,895,579,706 issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no other person (other than Directors or chief executive of the Company) had any interests or short positions in any Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interests or short positions which have been notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since December 31, 2022, being the date to which the latest published audited accounts of the Group were made up.

DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors was materially interested in any contracts or arrangements subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions contained in and referred to in this circular:

Name	Qualification
Amasse Capital Limited	a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had given and had not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter of advice dated November 7, 2023 in connection with their advice to the Independent Board Committee and the Independent Shareholders, and references to its name and/or its advice in the form and context in which they appeared.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interests in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

The letter and recommendations from the Independent Financial Adviser are set out on pages 21 to 38 of this circular and are given for incorporation in this circular.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

GENERAL

The Company's share registrar in Hong Kong is Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

DOCUMENTS ON DISPLAY

Copies of the following documents are on display and are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hk661.com) for a period of 14 days from the date of this circular:

- (a) the revised Yangxin Hongsheng Purchase Framework Agreement;
- (b) the Parent Group Sales Framework Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 21 to 38 of this circular;
- (e) the written consent of the Independent Financial Adviser referred to in the paragraph headed “Expert and Consent” in this appendix.

NOTICE OF SPECIAL GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



中國大冶有色金屬礦業有限公司

China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00661)

NOTICE IS HEREBY GIVEN that the special general meeting (the “SGM”) of China Daye Non-Ferrous Metals Mining Limited (the “**Company**”) will be held at Function Room 4 & 6, 3/F, The Mira Hong Kong, Mira Place, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, November 22, 2023 at 10:00 a.m. (or at any adjournment thereof), for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated November 7, 2023:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (i) the revised annual caps for the Yangxin Hongsheng Purchase Framework Agreement in the amounts of RMB11,287,354,000, RMB10,672,780,000 and RMB10,927,565,000 for the years ending December 31, 2023, 2024 and 2025, respectively (the “**Revised Annual Caps for the Yangxin Hongsheng Purchase Framework Agreement**”), and the transactions contemplated thereunder be and are hereby approved; and
- (ii) any one Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to take all steps necessary and expedient to implement and/or give effect to and implement the Revised Annual Caps for the Yangxin Hongsheng Purchase Framework Agreement.”

NOTICE OF SPECIAL GENERAL MEETING

2. “**THAT:**

- (i) the revised annual caps for the Parent Group Sales Framework Agreement in the amounts of RMB17,995,212,000, RMB31,586,706,000 and RMB33,624,255,000 for the years ending December 31, 2023, 2024 and 2025, respectively (the “**Revised Annual Caps for the Parent Group Sales Framework Agreement**”), and the transactions contemplated thereunder be and are hereby approved; and
- (ii) any one Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to take all steps necessary and expedient to implement and/or give effect to and implement the Revised Annual Caps for the Parent Group Sales Framework Agreement.”

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

Hong Kong, November 7, 2023

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

Notes:

- 1. For more information relating to the abovementioned resolutions, please refer to announcement of the Company dated September 12, 2023 and the circular of the Company dated November 7, 2023.
- 2. The resolutions at the SGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
- 3. The record date for determining Shareholders’ right to attend and vote at the SGM is Friday, November 17, 2023. In order to qualify for attending and voting at the said meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration, no later than 4:30 p.m. on Thursday, November 16, 2023.
- 4. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. A member who is the holder of two or more ordinary shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- 5. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the SGM and, in such event, the form of proxy shall be deemed to be revoked.