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



China Nonferrous Mining Corporation Limited **中國有色礦業有限公司**

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 01258)

- (1) PROPOSED DECLARATION OF FINAL DIVIDEND;
(2) PROPOSED RE-ELECTION OF DIRECTORS;
(3) PROPOSED RE-APPOINTMENT OF AUDITOR;
(4) PROPOSED GENERAL MANDATES
TO ISSUE NEW SHARES AND TO BUY-BACK SHARES;
(5) REVISION OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS;
(6) TERMINATION OF 2023 FINANCIAL SERVICES AGREEMENT;
(7) DISCLOSEABLE TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS
IN RESPECT OF THE FINANCIAL SERVICES FRAMEWORK AGREEMENT;
AND
(8) NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the AGM to be held at Bowen Room, 7/F, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Thursday, 27 June 2024 at 3:00 p.m. is set out on pages AGM-1 to AGM-6.

Whether or not you are able to attend the AGM, you are advised to read the notice of AGM to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event no later than 48 hours (excluding any part of a day that is a public holiday) before the time for holding the AGM. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or at any adjourned meeting if you so wish.

The English and Chinese versions of this circular and the accompanying proxy form are available on the Company's website at <http://www.cnmcl.net> and the website of the Stock Exchange at <http://www.hkexnews.hk>.

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and, 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 this circular or any statement herein misleading.

4 June 2024

CONTENTS

DEFINITIONS	ii
LETTER FROM THE BOARD	1
INTRODUCTION	2
PROPOSED DECLARATION OF FINAL DIVIDEND	2
PROPOSED RE-ELECTION OF DIRECTORS	2
PROPOSED RE-APPOINTMENT OF AUDITOR	6
PROPOSED GENERAL MANDATE TO ISSUE NEW SHARES	6
PROPOSED GENERAL MANDATE TO BUY-BACK SHARES	6
EXTENSION OF GENERAL MANDATE	7
CONTINUING CONNECTED TRANSACTIONS	7
CLOSURE OF REGISTER OF MEMBERS	22
AGM	23
RECOMMENDATIONS OF THE BOARD	23
APPENDIX I – EXPLANATORY STATEMENT	App I-1
APPENDIX II – BIOGRAPHICAL DETAILS OF DIRECTORS TO BE RE-ELECTED ..	App II-1
APPENDIX III – LETTER FROM THE INDEPENDENT BOARD COMMITTEE	App III-1
APPENDIX IV – LETTER FROM SOUTH CHINA CAPITAL	App IV-1
APPENDIX V – GENERAL INFORMATION	App V-1
NOTICE OF AGM	AGM-1

DEFINITIONS

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

“2023 Mutual Supply Framework Agreement”	the framework agreement dated 24 November 2023 between the Company and CNMC in relation to the mutual provision of raw materials, products and services
“2023 Financial Services Agreement”	the agreement dated 22 December 2023 entered into between the Company and CNMC Finance in relation to the provision of deposit services and miscellaneous financial services to the Group’s representative entities in mainland China by CNMC Finance
“AGM”	the annual general meeting of the Company to be held on Thursday, 27 June 2024 at 3:00 p.m.
“Announcement”	the announcement made by the Company dated 24 November 2023 in relation to, among others, the 2023 Mutual Supply Framework Agreement
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Circular”	the circular made by the Company dated 4 December 2023 in relation to, among others, the 2023 Mutual Supply Framework Agreement
“CNMC”	China Nonferrous Metal Mining (Group) Co., Ltd.* (中國有色礦業集團有限公司), a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder of the Company
“CNMC Finance”	Nonferrous Metal Mining Group Finance Co., Ltd.* (有色礦業集團財務有限公司), a financial institution established under the laws of the PRC and the approval of the China Banking and Insurance Regulatory Commission, and is a subsidiary of CNMC
“CNMC Group”	CNMC and its subsidiaries, excluding, for the purpose of this circular, the Group
“CNMD”	China Nonferrous Mining Development Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of CNMC and a controlling shareholder of the Company
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”	China Nonferrous Mining Corporation Limited (中國有色礦業有限公司), a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Corporate Governance Code”	code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix C1 (former Appendix 14) of the Listing Rules
“Director(s)”	director(s) of the Company
“DRC”	the Democratic Republic of Congo
“Effective Date”	the date of the Financial Services Framework Agreement after the relevant internal approvals having been obtained by the Company and CNMC Finance and the date of approval by the Independent Shareholders at the AGM (whichever is later)
“Final Dividend”	the proposed final dividend of US\$2.9702 per Share for the year ended 31 December 2023
“Financial Services Framework Agreement”	the agreement dated 27 May 2024 entered into between the Company and CNMC Finance in relation to the provision of certain financial services by CNMC Finance to the Group
“Group”	the Company and its subsidiaries; however in the context of the Financial Services Framework Agreement, the Company and its subsidiaries (including its representative entities in Mainland China)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. Dingfan QIU, Mr. Guangfu GAO and Mr. Huanfei GUAN
“Independent Financial Adviser” or “South China Capital”	South China Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities as set out under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Framework Agreement

DEFINITIONS

“Independent Shareholders”	Shareholders other than CNMD and its associates
“Independent Third Party(ies)”	party(ies) independent of the Company and the connected persons of the Company
“Latest Practicable Date”	29 May 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under the 2023 Mutual Supply Framework Agreement and the Financial Series Framework Agreement as set out in this circular
“Nomination Committee”	Nomination Committee of the Company
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “mainland China”	the People’s Republic of China, excluding, for the purpose of this circular, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and the Taiwan Region of China
“Proposed Cap(s)”	the proposed annual cap for each service under the Financial Services Framework Agreement as set out in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Record Date”	4 July 2024, being the proposed date for the purpose of determining the entitlement of Shareholders to the Final Dividend
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Buy-back Mandate”	the proposed general mandate to be granted to the Directors to permit the buy-back of Shares, provided that the aggregate number of Shares so bought back or otherwise acquired shall not exceed 10% of the total number of Shares in issue as at the date of the relevant resolution approving such mandate

DEFINITIONS

“Share Issue Mandate”	the proposed general mandate to be granted to the Directors to permit the allotment and issue of new Shares equivalent to an aggregate of a maximum of 20% of the total number of Shares in issue as at the date of the relevant resolution approving such mandate
“Shareholders”	holder(s) of the Shares
“Shares”	shares in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“US¢”	United States cents, the current lawful currency of the United States of America
“US\$”	United States dollars, the current lawful currency of the United States of America
“Zambia”	the Republic of Zambia
“%”	per cent

* *Translation of English or Chinese terms for reference purpose only*

LETTER FROM THE BOARD



China Nonferrous Mining Corporation Limited
中國有色礦業有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 01258)

Executive Director:

Mr. He YANG (*Chairman*)

Non-executive Directors:

Mr. Yaoyu TAN

Ms. Yani GONG

Independent non-executive Directors:

Mr. Dingfan QIU

Mr. Guangfu GAO

Mr. Huanfei GUAN

Registered office:

Unit 1303, 13/F

Austin Tower

22-26 Austin Avenue

Tsimshatsui

Kowloon, Hong Kong

Principal place of business in Zambia:

32 Enos Chomba Road

Kitwe, Zambia

Principal place of business in the DRC:

Lubumbashi

Katanga Province

Congo (DRC)

4 June 2024

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED DECLARATION OF FINAL DIVIDEND;**
(2) PROPOSED RE-ELECTION OF DIRECTORS;
(3) PROPOSED RE-APPOINTMENT OF AUDITOR;
(4) PROPOSED GENERAL MANDATES
TO ISSUE NEW SHARES AND TO BUY-BACK SHARES;
(5) REVISION OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS;
(6) TERMINATION OF 2023 FINANCIAL SERVICES AGREEMENT;
(7) DISCLOSEABLE TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS
IN RESPECT OF THE FINANCIAL SERVICES FRAMEWORK AGREEMENT;
AND
(8) NOTICE OF ANNUAL GENERAL MEETING

LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to provide you with information in connection with the proposals to be put forward at the AGM to consider: (i) the proposed declaration of Final Dividend; (ii) the proposed re-election of Directors; (iii) the proposed re-appointment of auditor of the Company; (iv) the proposed general mandates to issue new Shares and to buy-back Shares; (v) revision of annual caps of continuing connected transactions; (vi) termination of 2023 Financial Services Agreement; and (vii) discloseable transaction and continuing connected transactions in respect of the Financial Services Framework Agreement. This circular is to give all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions. A notice convening the AGM is set out on pages AGM-1 to AGM-6 of this circular.

A. PROPOSED DECLARATION OF FINAL DIVIDEND

According to the announcement of the Company dated 28 March 2024, the Board proposed the payment of the Final Dividend for the year ended 31 December 2023 of US¢2.9702 in cash for each Share to the Shareholders whose names appear on the register of members of the Company on Thursday, 4 July 2024. Subject to the approval of the Shareholders at the AGM, the Final Dividend will be distributed and the Final Dividend cheques will be despatched on or before Monday, 15 July 2024 to the Shareholders whose names appear on the register of members of the Company on the Record Date. An announcement will be made as soon as practicable after the AGM notifying Shareholders of the exchange rate adopted for the conversion of the US¢ dividend into Hong Kong dollars.

As far as the Company is aware, as at the Latest Practicable Date, no Shareholder had waived or agreed to waive any arrangement under which the Final Dividend is proposed to be distributed.

B. PROPOSED RE-ELECTION OF DIRECTORS

Pursuant to article 107 of the Articles of Association, the directors may appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, provided that the appointment does not cause the number of directors to exceed any number fixed as the maximum number of directors. A director so appointed shall retire at the next following general meeting and shall then be eligible for re-election. Pursuant to Rule 4(2) of the Core Shareholder Protection Standards of Appendix A1 (former Appendix 3) of the Listing Rules, any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the first annual general meeting of the issuer after his appointment, and shall then be eligible for re-election. Ms. Yani GONG (“**Ms. Gong**”) and Mr. Guangfu GAO (“**Mr. Gao**”) were appointed as a non-executive director and an independent non-executive director of the Company, respectively, on 27 December 2023. Accordingly, Ms. Gong and Mr. Gao shall retire at the forthcoming annual general meeting. They are eligible for re-election and will offer themselves for re-election.

LETTER FROM THE BOARD

In accordance with article 102 of the Articles of Association, at each annual general meeting, one-third of the directors or, if their number is not three (3) or a multiple of three (3), the number which is nearest to and is at least one-third, shall retire from office by rotation at least once every three (3) years. A retiring director shall be eligible for re-election. Pursuant to article 103 of the Articles of Association, the directors to retire by rotation shall be those who have been longest in office since their last appointment or reappointment, but as between persons who became or were last reappointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Pursuant to Paragraph B.2.2 of the Corporate Governance Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Accordingly, Mr. Dingfan QIU (“**Mr. Qiu**”) and Mr. Huanfei GUAN (“**Mr. Guan**”) shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Pursuant to Paragraph B.2.3 of Corporate Governance Code, serving more than 9 years could be relevant to the determination of a non-executive director’s independence. If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Guan was appointed to the Board as an independent non-executive Director on 28 August 2014. Mr. Guan has served the Board for more than 9 years as at the Latest Practicable Date. In view of this, the re-appointment of Mr. Guan at the AGM will be subject to a separate resolution to be approved by the Shareholders in accordance with the Listing Rules and the accompanying circular proposing his re-election should include reasons why the Board believes such independent non-executive Director is still independent and should be re-elected.

The Nomination Committee has reviewed the structure, size and composition of the Board, the qualifications, skills, experience, time commitment, as well as contribution of the retiring Directors with reference to the nomination principles and criteria set out in the Company’s board diversity policy, the nomination policy for Directors of the Company (the “**Nomination Policy**”) as well as the Company’s corporate strategy. Recommendations to the Board for the proposal for re-election of Ms. Gong as a non-executive Director, Mr. Gao, Mr. Qiu and Mr. Guan as independent non-executive Directors were made by the Nomination Committee, after having considered a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, as set out in the board diversity policy of the Company disclosed in its annual report.

LETTER FROM THE BOARD

At the AGM, ordinary resolutions will be put forward to the Shareholders in relation to the proposed re-election of Ms. Gong as a non-executive Director, Mr. Gao, Mr. Qiu and Mr. Guan as independent non-executive Directors. Each of Mr. Gao, Mr. Qiu and Mr. Guan abstained from the discussion and voting at the Board meeting regarding their respective nominations.

Biographical details of the aforesaid retiring Directors are set out in Appendix II to this circular. At the AGM, separate ordinary resolutions will be put forward for approval of the re-election of each of these retiring Directors.

Recommendation of the Nomination Committee with respect to the Re-election of Independent Non-executive Director, who has served more than 9 years, at the AGM

The Nomination Committee has reviewed the independence of Mr. Guan as an independent non-executive Director with reference to the nomination principles and criteria set out in the Company's board diversity policy, the Nomination Policy as well as the Company's corporate strategy.

Mr. Guan was appointed as an independent non-executive Director on 28 August 2014 and has served the Company for more than 9 years. His re-election as an independent non-executive Director will therefore be subject to a separate resolution to be approved by the Shareholders at the AGM. In assessing the re-election of Mr. Guan, the Nomination Committee and the Board have considered Mr. Guan's contribution and service to the Company, and reviewed his expertise and professional qualification to determine whether Mr. Guan satisfies the selection criteria under the Nomination Policy.

Mr. Guan received a doctorate in economics from Wuhan University in 2000. He has extensive experience in the financial and insurance industries in Hong Kong and Mainland China. He also has senior practical experience in listed company governance, investment and financing, and has a thorough understanding of the Company's business operations. In the past, he has always expressed his objective opinions to the Company as an independent non-executive Director, and has not held any administrative or management positions in the Company, nor is he employed by any subsidiary company of the Company. The Company considers that Mr. Guan has been and will continue to fulfill his roles and obligations diligently as an independent non-executive Director. An independent non-executive Director is not required to take executive role in the management and operations of the Group but to supervise the management of the Group and to attend Board meetings and Board committee meetings (either physically or by other means of communications) as and when required. Before entering into a transaction, a Board meeting is usually convened for communication and discussion, enabling independent non-executive Directors to fully understand the business and transactions of the Company, so as to fulfill their roles to provide advice and recommendations to the Board. Mr. Guan's sufficient proven record of attendance and participation in the Company's Board meetings since he joined the Company and his advice and recommendations on compliance management, corporate governance, transactions and other matters from time to time have shown his proactive commitment to the Company.

LETTER FROM THE BOARD

Mr. Guan possesses academic and professional qualifications, diverse experiences and knowledge across a wide range of industries together with a broad understanding of culture in China. He has been able to bring critical and complementary insights on business strategy, governance and capital market to the Board, and he continues to participate in professional development trainings to enhance his professional knowledge, which is conducive to his continuous provision of independent advice to the Board from a new perspective, thus contributing to effective decision making of the Board. The Nomination Committee and the Directors are of the view, and as confirmed by Mr. Guan, that Mr. Guan will be able to devote sufficient time to discharge his duties as an independent non-executive Director.

Mr. Guan has also demonstrated that he understands his duties and obligations as required by the relevant laws and regulations including the Listing Rules, while in the course of discharging his duties and obligation. Mr. Guan, same as other Directors, is fully supported by the company secretary and the legal team of the Company.

Having considered the above factors, it is believed that Mr. Guan's continuous directorship in the Company can keep bringing valuable contributions to the Board and its diversity. The Company has received annual confirmation from Mr. Guan on his independence with reference to the independence guidelines set out in rule 3.13 of the Listing Rules. In assessing the independence of Mr. Guan, the Nomination Committee and the Board noted that Mr. Guan (i) does not have any relationship with any Directors, senior management or substantial shareholders or controlling shareholders of the Company; (ii) is not involved in any relationships or circumstances which would interfere with the exercise of his independent judgement as an independent non-executive Director; and (iii) has been providing objective and independent views to the Company as mentioned above during his tenure of office. Based on the above, it is believed that Mr. Guan's long services will neither affect his exercise of independent judgement nor have any impact on his independence in the governance of the Group. In view of Mr. Guan extensive knowledge and experience, the Nomination Committee and the Board believe that his re-election to the Board is in the best interests of the Company and Shareholders, and therefore recommend to re-elect Mr. Guan as a Director on the general meeting. The matter of his re-election will be proposed in the form of a separate resolution at this year's general meeting.

The Nomination Committee is also of the view that Mr. Guan would bring to the Board his own perspective, skills and experience, as further described in his biography in Appendix II to this circular.

Based on the board diversity policy adopted by the Company, the Nomination Committee considers that Mr. Guan can contribute to the diversity of the Board, in particular, with Mr. Guan's extensive experience in listed company's corporate governance and financing.

LETTER FROM THE BOARD

C. PROPOSED RE-APPOINTMENT OF AUDITOR

The mandate of the current auditor of the Company, KPMG, will expire at the AGM. At the AGM, an ordinary resolution will be put forward for approval of the re-appointment of auditor.

The re-appointment of auditor of the Company has been reviewed by the audit committee of the Board which recommended that the re-appointment be submitted for Shareholders' approval at the AGM.

D. PROPOSED GENERAL MANDATE TO ISSUE NEW SHARES

At the AGM, an ordinary resolution will be proposed for the Shareholders to consider and, if thought fit, grant a general mandate to the Directors to exercise all powers of the Company to allot, issue and deal with new Shares. The Shares which may be allotted and issued pursuant to the Share Issue Mandate shall not exceed 20% of the total number of Shares in issue as at the date of the resolution approving the Share Issue Mandate which, if passed, shall be a maximum of 780,407,200 Shares (or such other number of Shares as would represent 20% of the total number of Shares in issue at the relevant time should there be a change in the total number of Shares between the Latest Practicable Date and the date of passing the relevant resolution). The Share Issue Mandate shall expire upon the earlier of: (i) the conclusion of the next annual general meeting of the Company unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to the Articles of Association or any applicable laws; or (iii) the date upon which such authority given under the Share Issue Mandate is revoked or varied by an ordinary resolution of the Shareholders.

E. PROPOSED GENERAL MANDATE TO BUY-BACK SHARES

At the AGM, an ordinary resolution will be proposed for the Shareholders to consider and, if thought fit, grant a general mandate to the Directors to exercise all powers of the Company to buy-back issued Shares. Under the Share Buy-back Mandate, the number of Shares that the Company may buy-back shall not exceed 10% of the total number of Shares in issue as at the date of the resolution approving the Share Buy-back Mandate. The Share Buy-back Mandate allows the Company to make buy-backs only during the period ending on the earlier of: (i) the conclusion of the next annual general meeting of the Company unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to the Articles of Association or any applicable laws; or (iii) the date upon which such authority given under the Share Buy-back Mandate is revoked or varied by an ordinary resolution of the Shareholders.

An explanatory statement as required under the Listing Rules, giving certain information regarding the Share Buy-back Mandate, is set out in Appendix I to this circular.

LETTER FROM THE BOARD

F. EXTENSION OF GENERAL MANDATE

At the AGM, an ordinary resolution will also be proposed for the Shareholders to consider and, if thought fit, approve the extension of the Share Issue Mandate by adding the number of Shares bought-back pursuant to the Share Buy-back Mandate, if granted, to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the Share Issue Mandate provided that such amount of Shares so bought-back shall not exceed 10% of the total number of Shares in issue as at the date of the resolution approving the Share Issue Mandate.

G. CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 27 May 2024 in relation to certain continuing connected transactions.

(i) REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS

Background

References are made to the Announcement and Circular in respect of the 2023 Mutual Supply Framework Agreement.

Taking into account of the expected increase in business development of the Group, the Directors expect that the existing annual caps in respect of the supply of raw materials, products and services from the CNMC Group to the Group under the 2023 Mutual Supply Framework Agreement for the three years ending 31 December 2026 will not be adequate for the Group's needs. The Directors therefore propose to revise the relevant existing annual caps.

2023 Mutual Supply Framework Agreement

Parties

- (1) The Company
- (2) CNMC

Purpose and Scope

Pursuant to the 2023 Mutual Supply Framework Agreement,

- (a) both parties agreed to provide, or procure their respective subsidiaries to provide the following to each other:
 - (i) raw materials and product supplies, such as raw materials, construction materials, ancillary materials, spare parts, tools, equipment, fuels, water, electricity, gas and steam, and lease of equipment and vehicles;

LETTER FROM THE BOARD

- (ii) social and support services, such as public security, employee training, sharing of service, other non-business services, schooling, medical and emergency service, telecommunication, property management and other similar services; and
 - (iii) technical services, such as consultation, design, construction, technical and engineering services, testing and equipment repair, construction and engineering projects supervision; and
- (b) CNMC agreed to provide, or procure its subsidiaries to provide transportation and logistics services to the Group.

Pursuant to the 2023 Mutual Supply Framework Agreement, CNMC has undertaken that it will not, and will procure its subsidiaries not to, provide raw materials, products and services to the Group on terms which are less favourable than those offered to Independent Third Parties. Each party is entitled to obtain the relevant raw materials, products and services from the Independent Third Parties if the other party cannot satisfy its requirements for such raw materials, products and services or the terms offered by the Independent Third Parties are more favourable. Each party will provide to the other party on an annual basis an assessment of the raw materials, products and services that it requires in the coming year.

Either party may terminate any specific underlying agreement entered into pursuant to the 2023 Mutual Supply Framework Agreement by giving the other party no less than one month's prior written notice, provided that if the Company cannot conveniently obtain such raw materials, products and services from a third party, CNMC will not be allowed to terminate and will continue to provide such raw materials, products and services under any circumstances.

Save for the revision of the proposed annual caps for the supply of raw materials, products and services from the CNMC Group under the 2023 Mutual Supply Framework Agreement, the other terms under the 2023 Mutual Supply Framework Agreement remain unchanged.

Term

The term of the 2023 Mutual Supply Framework Agreement has commenced from 1 January 2024 and will expire on 31 December 2026.

Pricing basis

For the sales and purchase of "raw materials and product supplies", the price shall be determined according to the market price of the raw materials and products being delivered. If such market price is unavailable, the amount payable will be determined with reference to actual costs plus applicable taxes.

LETTER FROM THE BOARD

For the provision of “social and support services”, the price shall be determined either by reference to the price set by similar service providers in the market, or the price agreed between one party and an Independent Third Party for similar services. If such market price is unavailable, the amount payable will be determined with reference to actual costs plus applicable taxes.

For the provision of “technical services”, if there are PRC government prescribed prices, the amount payable will be determined with reference to the published PRC government prescribed prices which are updated by the relevant PRC central or provincial government departments from time to time. If there are no PRC government prescribed prices or when the PRC government prescribed prices is not reflective of the market price at the place of service, the amount will be determined by reference to the price agreed between one party and an Independent Third Party for similar services. In the event a market price is unavailable for similar services, nor were there any transaction price between Independent Third Parties, the amount payable will be determined with reference to actual costs plus applicable taxes. The Ministry of Finance and the Ministry of Land and Resources have jointly published a publication called the Standards for Budget of National Land Resources Survey (國土資源調查預算標準) in July 2007, which includes the Notice of Standards for Budget of National Land Resources Survey (the Section of National Land Resources Survey) (Cai Jian No. 52 of 2007) (國土資源調查預算標準(地質調查部分)的通知(財建[2007]52號)) (the “**Notice**”). Pursuant to Notice, the reference price (that is, standard of budget) for the technical services in relation to geological exploration, including design, construction, analysis and detection, reporting and other labor and equipment costs is stated. Such standard of budget consists of three parts, namely (a) budget for working methods, (b) budget for comprehensive research and scientific research and (c) regional adjustment coefficient, which are interpreted by the Ministry of Finance and the Ministry of Land and Resources. The Notice published in 2007 is the latest applicable standards, which may be revised in the future in accordance with the application of new methods, new techniques and other relevant circumstances. The Company has followed the Notice for its projects.

For the provision of “transportation and logistics services”, it shall be determined either by reference to the price charged by similar service providers in the local market, or the price agreed between a party and the Independent Third Party for similar services. If such market price is unavailable, the amount payable will be determined with reference to actual costs plus applicable taxes.

The market price for the abovementioned goods and services is determined by reference to the price at which the same or similar type of raw materials, products and services provided in the same or nearby area is charged by Independent Third Parties in the ordinary course of business at the relevant time; or failing which, the price at which the same or similar type of raw materials, products and services is charged by Independent Third Parties in the ordinary course of business at the relevant time.

LETTER FROM THE BOARD

Before a specific agreement is entered into, the procurement and sales departments of the Group will make public enquiry with similar good and/or service providers in the market, which are Independent Third Parties, as to the price or fees of the products and services and determine the pricing terms based on the quotations obtained. The procurement and sales departments will generally obtain around two to three quotations from different third party goods and/or service providers. The finance and legal departments will review the terms of the specific agreements, focusing on the pricing and payment terms.

The pricing basis of actual costs plus applicable taxes will not include any profit margin. The Directors consider that this pricing basis is beneficial to the Company because the transaction volume for the supply of raw materials, products and services from the CNMC Group to the Group substantially outweighs the transaction volume for the supply of raw materials, products and services from the Group to the CNMC Group. The Group will therefore be benefited from this pricing arrangement. In addition, the Group anticipates that substantially all of the supply of raw materials, products and services to the CNMC Group in the future will be charged in accordance with market price with only a few services to be charged on the actual costs plus applicable taxes, therefore on the whole, the transactions will be conducted on no less favourable terms than those available to the Group from Independent Third Parties. To the extent that they are available, the Group will check all the invoices provided by the CNMC Group to ensure that the Group is charged with actual costs plus applicable tax in the event that this pricing basis is adopted. The CNMC Group has given consent to provide all those invoices to the Group for inspection.

Based on the above, the Directors consider that the transactions will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its Shareholders.

Historical transaction amounts

The tables below set forth the historical transaction amounts of the transactions under the 2023 Mutual Supply Framework Agreement for the three years ended 31 December 2023 and the four months ended 30 April 2024:

Supply of raw materials, products and services from the CNMC Group

	For the year ended 31 December 2021 (audited) (US\$)	For the year ended 31 December 2022 (audited) (US\$)	For the year ended 31 December 2023 (audited) (US\$)	For the four months ended 30 April 2024 (unaudited) (US\$)
Historical transaction amounts	386,226,000	459,248,000	430,465,000	90,317,825
Historical annual caps	496,731,351	656,017,952	643,796,538	–

LETTER FROM THE BOARD

So far as the Directors are aware, the annual cap for the year ending 31 December 2024 has not been exceeded as at the Latest Practicable Date.

Proposed revision of annual caps and basis of determination

The existing annual caps and the proposed revised annual caps in respect of the supply of raw materials, products and services from the CNMC Group contemplated under the 2023 Mutual Supply Framework Agreement for the three years ending 31 December 2026 and the basis of determination of such annual caps are set out as follows:

Supply of raw materials, products and services from the CNMC Group

For the year ending 31 December					
2024		2025		2026	
Existing annual cap (US\$)	Revised annual cap (US\$)	Existing annual cap (US\$)	Revised annual cap (US\$)	Existing annual cap (US\$)	Revised annual cap (US\$)
353,100,000	490,000,000	395,000,000	520,000,000	395,000,000	540,000,000

The above proposed revised annual caps were determined by reference to factors such as (i) historical transaction values and volume, in particular, the actual transaction amount for the year ended 31 December 2023; (ii) projected increase in demand for raw materials, products and services by the Group from the CNMC Group, in particular, the Company plans to accelerate the progress of Luanshya no. 28 shaft, the second phase of the expansion of the southeast ore body of Kianbichi and other projects which will require an increase in the cost of design, construction, supervision and procurement of spare parts; (iii) recent increase in copper prices; (iv) the expected increase in the purchase cost of electricity due to the limited supply of electricity in the DRC and Zambia region and the Company's increasing demand for diesel generator sets for ensuring its productivity; and (v) a buffer of approximately 20% to enable the Group to flexibly respond to various unexpected increases in demand and/or prices. The Group has taken into account its various development and expansion projects for which it plans to procure raw materials, products and services from the CNMC Group. The Company also plans to increase investment in science and technology, safety and environmental protection, and renovate the existing facilities and equipment, which will increase the relevant construction costs.

Reasons for and benefit of entering into the 2023 Mutual Supply Framework Agreement

The Group continues to procure raw materials, products and services from the CNMC Group and continues to require such raw materials, products and services from the CNMC Group for the business development of the Group. The Directors consider that the 2023 Mutual Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the raw materials and products supplied are in close proximity to the

LETTER FROM THE BOARD

production facilities of the Group and therefore can reduce the Group's production costs and further enhance the profitability of the Group's operations. The services provided by the CNMC Group can also supplement the Group's operation capacity and a better manpower arrangement of the Group can be maintained.

As CNMC has business developments in the PRC, Zambia, the DRC and other countries, the Group's business dealings with the CNMC Group will help the Group gather business information in those countries, continue expanding its business reach and channels, thus enhancing the business opportunities of the Group.

In view of the above, the Company considers that the terms of the 2023 Mutual Supply Framework Agreement and the proposed revision of annual caps are fair and reasonable, beneficial for the overall development of the Company and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As CNMC indirectly owns an aggregate of 66.63% of the issued share capital of the Company through CNMD, CNMC is therefore a controlling shareholder of the Company, and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2023 Mutual Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest proposed revised annual cap for transactions in relation to the supply of raw materials, products and services from the CNMC Group to the Group contemplated under the 2023 Mutual Supply Framework Agreement exceed 5%, such relevant transactions contemplated under the 2023 Mutual Supply Framework Agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(ii) TERMINATION OF 2023 FINANCIAL SERVICES AGREEMENT

On the Effective Date, the Company and CNMC Finance will terminate the 2023 Financial Services Agreement and replace it with the Financial Services Framework Agreement.

LETTER FROM THE BOARD

(iii) FINANCIAL SERVICES FRAMEWORK AGREEMENT

Parties

- (1) The Company
- (2) CNMC Finance

Purpose and Scope

Pursuant to the Financial Services Framework Agreement, CNMC Finance agreed to provide certain financial services, including (1) the deposit services, and (2) miscellaneous financial services (including but not limited to foreign exchange settlement and sales services and settlement services), to the Group for a term commencing from the Effective Date to 31 December 2026. Details of the relevant services are set out below:

(1) *The deposit services*

The Group will open deposit accounts with CNMC Finance and deposit funds in such accounts based on a voluntary basis. The form of deposit can be current deposit, time deposit, call deposit, or agreed deposit, etc. CNMC Finance shall ensure the safeguard of the Group's deposits, and promptly and fully release the funds as requested by any member of the Group. If CNMC Finance fails to release the deposit in full and on time to any member of the Group within one business day upon the receipt of fund use request from such member of the Group without justified reasons and fails to do so after the reminder from such member of the Group, the Company shall have the right to terminate the Financial Services Framework Agreement.

(2) *Miscellaneous financial services*

- (i) Foreign exchange settlement and sales services: CNMC Finance will provide the Group with spot foreign exchange settlement and sales services based on the operational and development needs of the Group, and carry out spot foreign exchange settlement and sales business in US\$, Euros, Hong Kong dollars, Japanese yen, British pounds and other currencies.
- (ii) Settlement services: CNMC Finance will provide fund settlement services to the Group. CNMC Finance shall ensure safe operation of the fund settlement network, control the risk of assets and liabilities and satisfy the reasonable payment requirements of the Group. The Group shall ensure the safety of its terminal system connected to the fund settlement network of CNMC Finance and the safety and reliability of its communication lines.
- (iii) Other financial services: CNMC Finance will provide other types of financial services upon requests from the Group based on the Group's business needs.

LETTER FROM THE BOARD

Term

Conditional upon the approval by the Independent Shareholders, the term of the Financial Services Framework Agreement shall commence from the Effective Date to 31 December 2026.

Pricing basis

The fees and charges payable by the Company to CNMC Finance under the Financial Services Framework Agreement are determined on the following basis:

(1) *The deposit services*

The interest rate for the deposits of the Group with CNMC Finance shall not be lower than the interest rate for the same type of deposit announced by PBOC for the same period, or provided by major PRC commercial banks and/or other financial institutions for the same period, and shall not be lower than the interest rate for the same type of deposit CNMC Finance provided to CNMC Group for the same period.

(2) *Miscellaneous financial services*

The fees charged by CNMC Finance to the Group for the provision of miscellaneous financial services shall be based on the principles of fairness and reasonableness, shall comply with the fee standards stipulated by the PBOC or the National Administration of Financial Regulation of the PRC for such type of services, and shall not be higher than the fees charged by major domestic commercial banks in the PRC for the same type of financial services for the same period and at the same amount under the same conditions, or the fees charged by CNMC Finance for the same type of financial services for the same period and at the same amount under the same conditions provided to CNMC Group, whichever is lower.

In respect of the foreign exchange settlement and sales services, the exchange rate to be provided by CNMC Finance to the Group shall be equal to or more favourable than the exchange rate quoted by the major domestic commercial banks in the PRC at the same amount for the same type of business, whichever is better.

CNMC Finance will not charge any fees for the provision of settlement services to the Group.

When determining the price for any financial services to be provided as specific transactions to be entered into between the Group and CNMC Finance pursuant to the Financial Services Framework Agreement, the Group will obtain comparable quotes during the same period, fees and terms from at least two general commercial banks in the PRC located in the same or adjacent regions. In practice, the Group may select the general commercial banks to obtain quotes based on their market positions and the competitiveness of their terms in past transactions or quotes. The Finance Department of the Company will be in charge of obtaining the quotes. The general commercial banks are generally willing to offer quotes to the Group from time to time for business development purposes.

LETTER FROM THE BOARD

Historical transaction amounts

The historical transaction amounts for the deposit services and the miscellaneous financial services are as follows:

- (i) The maximum daily deposit balance (including accrued interests) of the deposits placed with CNMC Finance by the Company's representative entities in mainland China for the period covering 25 December 2023 to 31 December 2023: RMB69,604,000;
- (ii) The maximum daily deposit balance (including accrued interests) of the deposits placed with CNMC Finance by the Company's representative entities in mainland China for the period covering 1 January 2024 to 30 April 2024: approximately RMB136,983,245; and
- (iii) The handling fees charged by CNMC Finance in respect of its services provided to the Company's representative entities in mainland China for the period covering 25 December 2023 to 30 April 2024: Nil.

Proposed annual caps and basis of determination

The proposed annual caps for the transactions contemplated under the Financial Services Framework Agreement and the basis of determination of such annual caps are set out as follows:

(1) *The deposit services*

During the term of the 2023 Financial Services Agreement, the maximum daily deposit balance (including accrued interests) each year thereunder shall not exceed RMB250 million (if the currencies involved are currencies other than RMB, the amount shall be converted into RMB based on the benchmark published by the SAFE on the date of deposit).

In respect of the deposit services, the Company estimates that the maximum daily deposit balance (including accrued interests) of the deposits placed with CNMC Finance by the Group during the term of the Financial Services Framework Agreement and the basis of determination of such annual caps are set out as follows:

For the period from the Effective Date to 31 December 2024 (US\$)	For the year ending 31 December 2025 (US\$)	For the year ending 31 December 2026 (US\$)
450,000,000	450,000,000	450,000,000

Note: The conversion of foreign currencies shall be made at the central parity rate published by the SAFE on the relevant date of the deposit.

LETTER FROM THE BOARD

The annual caps for the transactions under the deposit services were determined with reference to the followings:

- (1) the actual aggregate cash and deposits that were maintained by the Group with other independent commercial banks or other financial institutions in the PRC;
- (2) the deposits and cash expected to be provided by the Group to CNMC Finance based on the business plan, growth in business scale and operation in the next three years;
- (3) the expected increase in deposits based on the expense settlement practices of the business activities of the Group, which are principally engaged in non-profit business activities related to the foreign (regional) enterprises; and
- (4) the expected amount of interest income to be generated from the expected deposit balance in CNMC Finance by the Group in the upcoming years.

(2) *Miscellaneous financial services*

During the term of the 2023 Financial Services Agreement, the amount generated each year from services under miscellaneous financial services is capped at RMB10 million (if the currencies involved are currencies other than RMB, the amount shall be converted into RMB based on the benchmark published by the SAFE on the date of contracting relevant services).

In respect of the miscellaneous financial services, the Company estimates that the caps on the handling fees charged by CNMC Finance in respect of its services provided to the Group during the term of the Financial Services Framework Agreement and the basis of determination of such annual caps are set out as follows:

For the period from the Effective Date to 31 December 2024 (US\$)	For the year ending 31 December 2025 (US\$)	For the year ending 31 December 2026 (US\$)
10,000,000	10,000,000	10,000,000

Note: The conversion of foreign currencies shall be made at the central parity rate published by the SAFE on the relevant date of the provision of the miscellaneous financial services.

The annual caps for the transactions under the miscellaneous financial services were determined with reference to the followings:

- (1) the expected service fees incurred by CNMC Finance for the provision of domestic fund settlement as well as cross-border fund settlement services to the Group;
- (2) the expected service fees incurred by CNMC Finance for the provision of foreign exchange settlement and sales services to the Group; and
- (3) the expected service fees charged by CNMC Finance for the provision of exchange risk management, research on economic situation and design of business plans to the Group.

LETTER FROM THE BOARD

Payment terms

The payment terms under the Financial Services Framework Agreement shall be agreed and detailed in the specific separate agreements to be entered into between members of the Group and CNMC Finance.

Reasons for and benefit of entering into the Financial Services Framework Agreement

The Company entered into the Financial Services Framework Agreement with CNMC Finance for the following reasons:

While the maximum daily deposit balance of the deposit services is set, the Group can withdraw deposit from the accounts with CNMC Finance according to the Group's business needs, which is not subject to any restrictions imposed by the CNMC Finance. Apart from CNMC Finance, the Group has business cooperation with a number of financial institutions, which can provide timely financial services to the Group as and when needed.

The interest rates of the deposit services and relevant handling fees of the miscellaneous financial services offered by CNMC Finance to the Group will be the same as or more favorable than (as the case may be) those interest rates or handling fees individually offered by any Independent Third Party to the Group using such relevant services.

CNMC Finance, which is regulated by the PBOC and National Financial Regulatory Administration, is a non-banking financial institution authorized to provide various types of financial services, including deposit and other financial services. The Group may utilize CNMC Finance as a medium to allocate the funds between members of the Group more effectively, thereby improving the level of liquidity of the Group and enhancing the overall solvency of the Group.

The Group will continue to utilize various services from CNMC Finance, including the deposit services and miscellaneous financial services according to the Financial Services Framework Agreement. Such arrangement will enhance the bargaining power of the Company when negotiating with third party commercial banks for the same or similar services, which may lower the financing costs of the Company.

CNMC Finance is limited to serving the needs and requests of the member companies and is familiar with the Company's operation. Therefore, CNMC Finance can provide services on a prioritized and more efficient manner than other commercial banks in the PRC, from which the Company is expected to benefit.

In view of the above, the Company considers that the terms of the Financial Services Framework Agreement are fair and reasonable, beneficial for the overall development of the Company and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Listing Rules Implications

As CNMC indirectly owns an aggregate of 66.63% of the issued share capital of the Company through CNMD, CNMC Finance, being a subsidiary of CNMC, is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(1) *The deposit services*

As certain of the applicable percentage ratios under the Listing Rules in respect of the highest proposed annual cap for transactions in relation to deposit services contemplated under the Financial Services Framework Agreement exceed 5% but all are less than 25%, the transactions in relation to deposit services contemplated under the Financial Services Framework Agreement constitute (i) a discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) continuing connected transactions of the Company subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) *Miscellaneous financial services*

As all of the applicable percentage ratios under the Listing Rules in respect of the proposed total fees payable by the Company to CNMC Finance for transactions in relation to the miscellaneous financial services contemplated under the Financial Services Framework Agreement exceed 0.1% but all are less than 5%, the transactions in relation to miscellaneous financial services contemplated under the Financial Services Framework Agreement are subject to the reporting, annual review and announcement but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Listing Rules.

Undertakings by CNMC Finance under the Financial Services Framework Agreement

Pursuant to the Financial Services Framework Agreement, CNMC Finance has undertaken that:

- (1) it will provide high-quality and efficient financial services to the Group in accordance with the relevant provisions of the Measures for the Administration of Finance Companies of Enterprise Groups (企業集團財務公司管理辦法) and the Financial Services Framework Agreement;

LETTER FROM THE BOARD

- (2) the terms for the provision of financial services to the Group at any time shall be no less favourable than those for the same period and same type of financial services provided by CNMC Finance to CNMC Group, nor less favourable than those for the same period and same type of financial services available to the Group from other financial institutions at that time;
- (3) In case of any of the following circumstances, CNMC Finance shall give a written notice to the Group within two business days and take measures to avoid the occurrence or increase of losses, and cooperate with the Group in taking necessary measures, including but not limited to risk assessment through on-site inspection by the Group, and requesting CNMC Finance to suspend or terminate the provision of financial services to mitigate risks and reduce losses:
- A. the occurrence of material events such as bank run, incapable of settling due significant indebtedness, large amount of overdue loans or guarantee advances, criminal cases involving directors or senior management of CNMC Finance;
 - B. the occurrence of major institutional changes or operational risks that affects or may affect the normal operation of CNMC Finance;
 - C. the liabilities due from the shareholders of CNMC Finance to CNMC Finance are outstanding for more than 6 months;
 - D. any one of the regulatory indicators of CNMC Finance does not comply with the provisions of the Measures for the Administration of Finance Companies of Enterprise Groups of the PRC;
 - E. CNMC Finance is subject to administrative penalty and orders for rectification imposed by regulatory authorities such as the China Banking and Insurance Regulatory Commission; and
 - F. other matters that may cause significant safety hazards to the funds deposited by the Group.
- (4) CNMC Finance only conducts a formal review of all documents, materials and information submitted by the Group, and does not assume any responsibility for substantive review, nor does it provide any assurance as to the truth, accuracy or completeness of the aforesaid information submitted by the Group. If the Group fails to submit documents, materials and information to the CNMC Finance in accordance with the requirements of laws and regulations, the regulatory documents of the China Banking and Insurance Regulatory Commission and the institutional documents of the CNMC Finance, the Group shall bear the risks and losses incurred as a result.

LETTER FROM THE BOARD

- (5) CNMC Finance does not assume any responsibility for any failure of the business due to the Group's own reasons, objective factors in the market or due to the Group's failure to operate in accordance with the laws and regulations, the regulatory documents of the China Banking and Insurance Regulatory Commission and the institutional documents of CNMC Finance.
- (6) In the event that the Group's relevant business cannot be carried out normally due to communication or system failure, force majeure or other reasons not attributable to CNMC Finance, CNMC Finance will publish an announcement through CNMC Finance's designated website or otherwise, notifying the Group in a timely manner and take appropriate measures to avoid the increase of losses, and on this basis, CNMC Finance shall not be liable for any losses suffered by the Group as a result of the foregoing.

INTERNAL CONTROL POLICIES

The management of the Group will be responsible for supervising and monitoring the transactions under the 2023 Mutual Supply Framework Agreement and the Financial Services Framework Agreement to ensure that they are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The management of the Group will also conduct regular checks to review and assess whether the transactions contemplated under the 2023 Mutual Supply Framework Agreement and the Financial Services Framework Agreement are in compliance with the terms of the agreement and in compliance with the pricing policy. The finance department of the Company will regularly monitor the actual amounts incurred for each type of continuing connected transactions for the purpose of ensuring the annual caps stipulated in the agreements are not exceeded. The Company's independent auditor will also conduct an annual review on the pricing terms and annual caps of the 2023 Mutual Supply Framework Agreement and the Financial Services Framework Agreement.

INFORMATION ON THE COMPANY

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in exploration of copper and cobalt, mining, ore processing, leaching, smelting and sales of copper cathodes, blister copper and copper anodes, cobalt contained in cobalt hydroxide, sulfuric acid and liquid sulfur dioxide. CNMC, the controlling shareholder of the Company, is wholly-owned and administered by the SASAC, and is principally engaged in the development, construction and engineering of nonferrous metal ore resources as well as related trade and services.

INFORMATION ON CNMC

CNMC is wholly-owned and administered by the SASAC and is principally engaged in the development of nonferrous metal resources, construction and engineering, as well as related trade and services.

LETTER FROM THE BOARD

INFORMATION ON CNMC FINANCE

CNMC Finance is a financial institution established with the approval of the China Banking and Insurance Regulatory Commission and under the laws of the PRC. CNMC Finance is mainly engaged in the provision of financial services, and is a subsidiary of CNMC, its ultimate beneficial owner. As at the Latest Practicable Date, CNMC Finance is owned as to 95% by CNMC and 5% by Daye Nonferrous Metals Group Holdings Co., Ltd* (大冶有色金屬集團控股有限公司), which is in turn owned as to approximately 57.99% and approximately 38.6% by CNMC and Yangtze River Industrial Investment Group Co., Ltd.* (長江產業投資集團有限公司) (“**Yangtze Industrial**”), respectively. Yangtze Industrial is wholly-owned and administered by the State-owned Assets Supervision and Administration Commission of Hubei Provincial People’s Government; and CNMC is wholly-owned and administered by the SASAC.

DIRECTORS’ CONFIRMATION

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the proposed revision of annual caps of the transactions under the 2023 Mutual Supply Framework Agreement and the Financial Services Framework Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders should vote in favour of all the relevant ordinary resolutions to be proposed at the AGM. Given Mr. He YANG, Mr. Yaoyu TAN and Ms. Yani GONG hold management positions in CNMC, they had abstained from voting on the relevant board resolutions for approving the proposed revision of annual caps of the transactions under the 2023 Mutual Supply Framework Agreement and the Financial Services Framework Agreement pursuant to the articles of association of the Company. Save as disclosed above, none of the Directors had a material interest in the proposed revision of annual caps of the transactions under the 2023 Mutual Supply Framework Agreement and the transactions under the Financial Services Framework Agreement or was required to abstain from voting on the relevant resolutions of the Board.

APPROVAL BY INDEPENDENT SHAREHOLDERS

As CNMC indirectly owns an aggregate of 66.63% of the issued share capital of the Company through CNMD, CNMD and its associates will abstain from voting on the resolutions approving the proposed revision of annual caps of the transactions under the 2023 Mutual Supply Framework Agreement and the Financial Services Framework Agreement (including the relevant Proposed Caps) at the AGM. Save as disclosed above, no Shareholder has any material interest in the proposed revision of annual caps of the transactions under the 2023 Mutual Supply Framework Agreement and the transactions contemplated under the Financial Services Framework Agreement and will be required to abstain from voting at the AGM.

* Translation of English or Chinese terms for reference purpose only

LETTER FROM THE BOARD

The Company will seek the Independent Shareholders' approval at the AGM for the proposed revision of annual caps of the transactions under the 2023 Mutual Supply Framework Agreement and the Financial Services Framework Agreement (including the relevant Proposed Caps).

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the proposed revision of annual caps of the transactions under the 2023 Mutual Supply Framework Agreement and the Financial Services Framework Agreement (including the relevant Proposed Caps), and South China Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same. The Independent Financial Adviser considers the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) are in the ordinary and usual course of business of the Group, are on normal commercial terms and is in the interests of the Company and the Shareholders as a whole. The full text of the letter from the Independent Financial Adviser issued by South China Capital containing its recommendations in respect of the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) is set out in Appendix IV of this circular.

The Independent Board Committee, having taken into account the advice of South China Capital, considers the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the AGM to approve the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps). The full text of the letter from the Independent Board Committee is set out in Appendix III of this circular.

H. CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the right to attend the AGM, the register of members of the Company will be closed from Monday, 24 June 2024 to Thursday, 27 June 2024 (both dates inclusive), during which period no transfer of Shares will be registered. In order to be entitled to attend the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 21 June 2024 for registration.

The distribution of the Final Dividend recommended by the Board is subject to approval by Shareholders at the AGM. The register of members of the Company will be closed on Thursday, 4 July 2024. To be qualified to receive the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 3 July 2024.

LETTER FROM THE BOARD

I. AGM

According to the announcement of the Company dated 28 March 2024, the Board proposed that the forthcoming annual general meeting of the Company will be held on Thursday, 27 June 2024. A notice convening the AGM is set out on pages AGM-1 to AGM-6 of this circular at which the relevant resolutions will be proposed to consider and, if thought fit, approve the declaration of Final Dividend, the re-election of Directors, the re-appointment of auditor of the Company, the Share Buy-back Mandate, the Share Issue Mandate, the extension of the general mandate to include Shares bought back under the Share Buy-back Mandate, the revision of annual caps of continuing connected transactions, and the Financial Services Framework Agreement. Voting will be conducted by poll at the AGM as required under the Listing Rules.

A proxy form for use at the AGM is enclosed. Shareholders are requested to complete the proxy form and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event no later than 48 hours (excluding any part of a day that is a public holiday) before the time for holding the AGM, if they do not intend to be present in person at the AGM.

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66 of the Articles of Association, the relevant resolution will be put to the vote by poll. In the case of an equality of votes on a poll, the chairman shall, subject to Article 70 of the Articles of Association, be entitled to casting vote in addition to any other vote he may have. Results of the poll voting will be published on the Company's website at www.cnmcl.net and the website of the Stock Exchange at www.hkexnews.hk after the AGM.

J. RECOMMENDATIONS OF THE BOARD

The Directors are of the opinion that the proposed declaration of Final Dividend, the proposed re-election of Directors, the proposed re-appointment of auditor of the Company, the Share Buy-back Mandate, the Share Issue Mandate, the extension of the general mandate to include Shares bought back under the Share Buy-back Mandate, the revision of annual caps of continuing connected transactions, and the Financial Services Framework Agreement are in interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of all the relevant resolutions to be proposed at the AGM. To the best knowledge of the Directors, no Shareholders will have to abstain from voting at the relevant resolutions for approving the proposed declaration of Final Dividend, the proposed re-election of Directors, the proposed re-appointment of auditor of the Company, the Share Buy-back Mandate, the Share Issue Mandate, and the extension of the general mandate to include Shares bought back under the Share Buy-back Mandate at the AGM.

Yours faithfully,
By Order of the Board
China Nonferrous Mining Corporation Limited
He YANG
Chairman

The following is the explanatory statement required by the Listing Rules to provide requisite information to the Shareholders for consideration of the proposal to approve the Share Buy-back Mandate. This also constitutes a memorandum required under section 239 of the Companies Ordinance.

SHARE CAPITAL

Under the Share Buy-back Mandate, the number of Shares that the Company may buy-back shall not exceed 10% of total number of Shares in issue as at the date of the resolution approving the Share Buy-back Mandate.

As at the Latest Practicable Date, there were a total of 3,902,036,000 Shares in issue. Subject to the passing of ordinary resolution number 6 approving the Share Buy-back Mandate and on the basis that no further Shares are issued or bought back before the AGM, the Company will be allowed to buy-back a maximum of 390,203,600 Shares, representing 10% of the total number of Shares, from the date of the approval up to the earlier of: (i) the conclusion of the next annual general meeting of the Company unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to the Articles of Association or any applicable laws; or (iii) the date upon which such authority is revoked or varied by a resolution of the Shareholders at a general meeting.

REASONS FOR BUY-BACK

The Directors believe that it is in the interests of the Company and the Shareholders to propose a general mandate from the Shareholders to enable the Directors to buy-back Shares. The Directors believe that the Share Buy-back Mandate would give the Company additional flexibility where the situation warrants for the buy-back of the Shares which is in the best interests of the Company and the Shareholders as a whole.

Such buy-backs may, depending on market conditions and funding arrangements at the time, result in an enhancement in the net asset value of the Company per Share and/or earnings per Share and will only be made in circumstances which the Directors believe are appropriate for the benefit of the Company and the Shareholders as a whole.

FUNDING OF BUY-BACK

Buy-backs must be made out of the funds which are legally available for such purpose in accordance with the Articles of Association, the Listing Rules, the Companies Ordinance and the laws and regulations of Hong Kong. The Companies Ordinance provides that the funds required for any buy-back may only be made from the distributable profits and/or the proceeds of a new issue of Shares made for the purpose of the buy-back to such extent permissible under the Companies Ordinance.

In the event that the power to buy-back Shares pursuant to the Share Buy-back Mandate is to be carried out in full at any time during the proposed buy-back period, there could be a material adverse impact on the working capital or gearing position of the Company (as compared with the position as at 31 December 2023, as disclosed in the Company's latest published audited consolidated results contained in the announcement of annual results for the year ended 31 December 2023). However, the Directors do not propose to exercise the power to buy-back Shares pursuant to the Share Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital or gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

GENERAL

To the best of their knowledge, having made all reasonable enquiries, none of the Directors nor any of their close associates (as defined in the Listing Rules) has a present intention to sell any Shares to the Company under the Share Buy-back Mandate in the event that the Share Buy-back Mandate is approved by the Shareholders.

The Directors, so far as the same may be applicable, will exercise the Share Buy-back Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong. The Directors confirmed that neither this explanatory statement nor the Share Buy-back Mandate has any unusual features.

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make buy-backs pursuant to the Share Buy-back Mandate in accordance with the Listing Rules, the Articles of Association, the Companies Ordinance and the applicable laws, rules and regulations in Hong Kong.

No core connected person (as defined in the Listing Rules) has notified the Company that it has a present intention to sell the Shares to the Company, or has undertaken not to do so, in the event that the Share Buy-back Mandate is approved by the Shareholders.

As at the Latest Practicable Date, CNMC, through its wholly-owned subsidiary, CNMD, was interested in 2,600,000,000 Shares, representing approximately 66.63% of the issued share capital of the Company. In the event that the Directors exercise in full the power to buy-back Shares pursuant to the Share Buy-back Mandate (if that is no other change in the issued share capital of the Company), the aforesaid interest of CNMC would be increased to approximately 76.63% of the issued share capital of the Company.

If, as a result of share buy-backs by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, may be treated, as a result of share buy-backs by the Company, as having obtained or consolidated control of the Company and become obliged to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code.

The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of exercising the Share Buy-back Mandate. In addition, in exercising the Share Buy-back Mandate (whether in full or otherwise), the Directors will ensure that the Company shall comply with the requirements of the Listing Rules, including the minimum percentage of Shares being held in public hands.

The Company has not purchased any of the Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date and will not buy-back the Shares if public float falls below 25% as a result of such buy-back.

SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve calendar months before the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2023		
May	4.45	3.52
June	3.92	3.50
July	4.26	3.62
August	4.44	3.81
September	5.56	4.30
October	5.16	4.49
November	4.97	4.36
December	5.14	4.35
2024		
January	5.70	4.65
February	5.83	4.80
March	7.17	5.41
April	7.31	6.02
May (<i>up to the Latest Practicable Date</i>)	9.07	6.85

At the AGM, separate ordinary resolutions in relation to proposed re-election of the following Directors will be proposed to the Shareholders. Details of such Directors required to be disclosed under Rule 13.51(2) of the Listing Rules are as follows:

Yani Gong (龔亞妮), aged 43, has been appointed as a non-executive Director with effect from 27 December 2023. She majored in English (Economics and Trade) at the School of Foreign Languages in Central South University from 1997 to 2001. She obtained a bachelor's degree in arts from Central South University in 2001 and a master's degree in economics (specialising in global economics) from the School of Economics at Peking University in 2008. Ms. Gong obtained a senior economist qualification in 2013. Ms. Gong joined the personnel department of a subsidiary of China Nonferrous Metal Mining (Group) Co., Ltd.* (中國有色礦業集團有限公司) ("CNMC", the controlling shareholder of the Company) in 2001, and subsequently held various positions in human resources and corporate management in CNMC and its subsidiaries, including the deputy director of the personnel deployment division of the personnel department, the director of the personnel deployment division of the personnel department, the director of the corporate management division (personnel department), and the deputy director of the human resources department of CNMC. In 2019, Ms. Gong was appointed as the chairman of Sino-Zam Vocational College of Science and Technology (中國贊比亞職業技術學院). Ms. Gong has over 23 years of professional experience in human resources and corporate management and is also a senior economist.

As at the Latest Practicable Date, Ms. Gong had no interest in the Shares or underlying Shares (within the meaning of Part XV of the SFO).

Ms. Gong's initial term of office as a non-executive Director was 3 years commencing on 27 December 2023, which may be terminated by either party by giving no less than one month's prior notice in writing to the other party, and she will be subject to retirement by rotation or re-election in accordance with the Articles of Association. Pursuant to her service contract, Ms. Gong will not receive any director's fees, but she shall be entitled to reimburse (with invoices) all reasonable travelling, transportation and entertainment fees incurred during the performance of duties.

* *Translation of English or Chinese terms for reference purpose only*

Dingfan Qiu (邱定蕃), aged 82, is an independent non-executive Director of the Company. He was appointed to the Board on 30 July 2021. Mr. Qiu graduated from Nanchang University in 1962. He then joined Beijing General Research Institute of Mining & Metallurgy (北京礦冶研究總院), and successively served as a technician of the metallurgical research institute, senior engineer and professor-level senior engineer. He became the director of metallurgical energy saving research institute in 1983, and served as the vice president of the institute from 1985 to 2002 and was primarily in charge of the scientific research of the whole institute. In 1990, after passing the examination of the Government sponsored Program of Studying Abroad, he left for study at Queen's University in Canada (as a senior visiting scholar), and served as the associate tutor to graduate students. In 1991, he returned to China and continued to serve as the vice president of Beijing General Research Institute of Mining & Metallurgy. He was elected as an academician at Chinese Academy of Engineering in 1999. He is currently a professor and doctoral tutor at Beijing General Research Institute of Mining & Metallurgy. He once concurrently served as a deputy director at Department of Chemical, Metallurgy and Materials of Chinese Academy of Engineering, vice-president of the Nonferrous Metals Society of China (中國有色金屬學會), and an adjunct professor at each of Peking University, Tsinghua University and University of Science and Technology Beijing. Mr. Qiu has 60 years of experience in mining industry. Mr. Qiu once served as an independent non-executive director in Tongling Nonferrous Metals Group Holdings Co., Ltd. (銅陵有色金屬集團控股有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: SZ000630) and China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. (中國有色金屬建設股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: SZ000758), and resigned from them on 13 January 2016 and 12 April 2019, respectively.

As at the Latest Practicable Date, Mr. Qiu had no interest in the Shares or underlying Shares (within the meaning of Part XV of the SFO).

Mr. Qiu entered into a letter of appointment with the Company to act as an independent non-executive Director for a term of three years with effect from 30 July 2021, which will be automatically renewed for another three years upon expiration, unless terminated by not less than one month's prior written notice by either party to the other and will be subject to retirement by rotation or re-election in accordance with the Articles of Association of the Company. The remuneration of Mr. Qiu is determined by the remuneration committee with reference to the Temporary Remuneration Policy for Senior Management of China Nonferrous Mining Corporation Limited (《中國有色礦業有限公司高級管理層薪酬管理暫行辦法》) and having given consideration to the level of responsibility, experience and abilities required of Mr. Qiu and the remuneration offered for similar position in comparable companies. Mr. Qiu received Director's emoluments of RMB240,000 for the year ended 31 December 2023.

Guangfu Gao (高光夫), aged 61, has been appointed as an independent non-executive Director of the Company, the Chairman of the Audit Committee and member of the Nomination Committee with effect from 27 December 2023. He is a senior accountant, graduated from Central South University of Finance and Economics with a postgraduate major in Public Finance. He had studied as a visiting scholar at the Grenoble Alpes University in France. Mr. Gao had served as the deputy chief financial officer and chief economist of State Power Investment Corporation Limited (國家電力投資集團公司), the director and deputy chief financial officer of finance department of China Power Investment Corporation (中國電力投資集團公司), the general manager of China Power Investment Finance Co., Ltd (中電投財務有限公司), the deputy director of finance and property management department of State Power Corporation of China (國家電力公司), a director of China Power International Holding Limited, a non-executive director of China Power International Development Limited (a company listed on the Stock Exchange of Hong Kong, stock code: 2380), a director of Shanghai Electric Power Co., Ltd. (上海電力股份有限公司, a company listed on Shenzhen Stock Exchange, stock code: 600021) and a director of SPIC Yuanda Environmental-Protection Co., Ltd. (國家電投遠達環保股份有限公司, a company listed on Shenzhen Stock Exchange, stock code: 600292). Mr. Gao had also served as a director of the Accounting Society of China (中國會計學會) and a director of the China Association of Chief Financial Officers (中國總會計師協會).

As at the Latest Practicable Date, Mr. Gao had no interest in the Shares or underlying Shares (within the meaning of Part XV of the SFO).

Mr. Gao entered into a letter of appointment with the Company to act as an independent non-executive Director for a term of three years with effect from 27 December 2023, which will be automatically renewed for another 3 years upon expiration, and may be terminated by either party by giving no less than one month's prior notice in writing to the other party, and he will be subject to retirement by rotation or re-election in accordance with the articles of association of the Company. The remuneration of Mr. Gao is determined by the remuneration committee with reference to the Temporary Remuneration Policy for Senior Management of China Nonferrous Mining Corporation Limited (《中國有色礦業有限公司高級管理層薪酬管理暫行辦法》) and having given consideration to the level of responsibility, experience and abilities required of Mr. Gao and the remuneration offered for similar position in comparable companies. The remuneration payable by the Company to Mr. Gao is RMB240,000 per annum before tax, and he is allowed to reimburse (with invoices) reasonable travelling, transportation and entertainment fees incurred during the performance of duties.

Huanfei Guan (關浣非), aged 67, is an independent non-executive Director of the Company, chairman of the Remuneration Committee, a member of each of the Audit Committee and the Compliance Committee, and was appointed to the Board on 28 August 2014. Mr. Guan has extensive experience in the finance and insurance industry in Hong Kong and China. He served various senior managerial positions in People's Insurance Company of China* (Jilin Branch) (中國人民保險公司吉林省分公司), Hong Kong and Macao Regional Office of China Insurance Group* (中國保險港澳管理處), Ming An Insurance Company (Hong Kong) Limited (香港民安保險有限公司) and China Pacific Insurance Co., (HK) Ltd. (中國太平洋保險(香港)有限公司). Mr. Guan also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, deputy chairman of credit asset management committee, chairman of loan verification committee, deputy general manager of the Bank of Communications Hong Kong Branch, the director of Bank of Communications Trustee Limited (交通銀行信託有限公司), the chairman and chief executive of China BOCOM Insurance Co., Ltd. (中國交銀保險有限公司) and an executive director and general manager of BoCommLife Insurance Company Limited. Mr. Guan is also an economic and technical consultant of Jilin Provincial Government. Mr. Guan is now an independent non-executive director of Sunwah Kingsway Capital Holdings Limited (Hong Kong listed company code 0188), Huarong International Financial Holdings Limited (Hong Kong listed company code 0993), China Shandong Hi-Speed Financial Group Limited (Hong Kong listed company code 0412), Shanghai Zendai Property Limited 上海証大房地產有限公司* (Hong Kong listed company code 0755) and Guangdong – Hong Kong Greater Bay Area Holdings Limited (Hong Kong listed company code: 01396) (shares of those companies are listed on the Main Board of the Hong Kong Stock Exchange). He once served as the chairman emeritus of Culturecom Holdings Limited (a company listed in Hong Kong) (Hong Kong listed company code 0343). Mr. Guan was an independent non-executive director, executive director, president and senior consultant of Silver Base Group Holdings Limited (Hong Kong listed company code 0886) for the period from March 2008 to December 2012. He once served as an executive director of CCT Land Holdings Limited (currently named GBA Holdings Group) (Hong Kong listed company code 0261). On 15 May 2020, he resigned as an independent non-executive director of HongDa Financial Holding Limited (currently named China Wood International Holding Co., Limited) (Hong Kong listed company code 1822). He served as an independent non-executive director of Solis Holdings Limited (Hong Kong listed company code 2227) from 23 August 2019 to 30 September 2020. He served as an executive director and the chairman of the board of Enterprise Development Holdings Limited (Hong Kong listed company code 1808) from 2 June 2020 to 22 May 2021. He was appointed as an independent non-executive director of Shanghai Zendai Property Limited (Hong Kong listed company code 0755) on 11 January 2021. Mr. Guan obtained a doctor's degree in Economics in 2000 from Wuhan University and has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004. He has also been appointed as a part-time lecturer of professional degree of Fudan University since 2013. In September 2019 he was appointed as a visiting professor at Jilin University of Finance and Economics, and in October 2022 he was appointed as an external instructor for the master's degree program at the University of International Business and Economics.

As at the Latest Practicable Date, Mr. Guan had no interest in the Shares or underlying Shares (within the meaning of Part XV of the SFO).

* Translation of English or Chinese terms for reference purpose only

Mr. Guan entered into a letter of appointment with the Company to act as an independent non-executive Director for a term of three years with effect from 28 August 2014. A supplemental letter of appointment was entered into between Mr. Guan and the Company to renew the term for 3 years automatically upon each expiry, with effect from 27 August 2017. The remuneration of Mr. Guan is determined by the remuneration committee with reference to the remuneration policy of the Company and having given consideration to the level of responsibility, experience and abilities required of Mr. Guan and the remuneration offered for similar position in comparable companies. Mr. Guan received Director's emoluments of RMB240,000 for the year ended 31 December 2023.

Save as disclosed herein, all the above Directors are not and had not been directors of any other listed companies in Hong Kong or overseas in the past three years prior to the Latest Practicable Date, or other major appointments or professional qualifications.

To their knowledge, information and belief after having made all reasonable enquiries, the Directors confirmed that as at the Latest Practicable Date, save as disclosed above:

1. all the above Directors did not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company;
2. all the above Directors did not hold any other positions in the Company or any members of the Group; and
3. the Board was not aware of any other matters in relation to the retiring Directors concerning their re-election at the AGM which need to be brought to the attention of the Shareholders nor any information to be disclosed under Rule 13.51(2) of the Listing Rules.



China Nonferrous Mining Corporation Limited
中國有色礦業有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 01258)

4 June 2024

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed as the Independent Board Committee to advise you in connection with the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps), details of which are set out in the section headed “Continuing Connected Transactions” contained in the “Letter from the Board” of the circular issued by the Company to the Shareholders dated 4 June 2024, of which this letter forms part. We wish to draw your attention to the Letter from South China Capital as set out on pages App IV-1 to App IV-13 of this circular. Terms defined in the circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the information set out in the letter from the Board, the terms of the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps), and the advice of South China Capital in relation thereto as set out on pages App IV-1 to App IV-13 of the circular, we are of the view that the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) are on normal commercial terms and in the ordinary and usual course of the Company’s business. We are also of the view that the terms of the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) are in the interests of the Company and its Shareholders a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the AGM to approve the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps).

Yours faithfully,

Independent Board Committee
China Nonferrous Mining Corporation Limited
Dingfan QIU Guangfu GAO Huanfei GUAN
Independent Non-executive Directors

The following is the full text of the letter of advice from South China Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders setting out its opinion regarding the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps), which has been prepared for the purpose of inclusion in this circular.



28/F., Bank of China Tower
No. 1 Garden Road
Central
Hong Kong

4 June 2024

*To the Independent Board Committee and
the Independent Shareholders*

China Nonferrous Mining Corporation Limited

Unit 1303, 13/F, Austin Tower
22–26 Austin Avenue
Tsim Sha Tsui
Kowloon
Hong Kong

Dear Sirs,

**(1) REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED
TRANSACTIONS;
AND
(2) NEW CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the revision of annual caps for the supply of raw materials, products and services from the CNMC Group under the 2023 Mutual Supply Framework Agreement; and (ii) entering into the Financial Services Framework Agreement and the transactions contemplated thereunder (including the relevant Proposed Caps), details of which are contained in the letter from the Board (the “**Letter from the Board**”) as set out in the circular dated 4 June 2024 (the “**Circular**”). Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those ascribed in the Circular.

Reference is made to the Company’s announcement dated 27 May 2024 in relation to the Non-exempt Continuing Connected Transactions.

IMPLICATIONS UNDER THE LISTING RULES**Revision of annual caps for the supply of raw materials, products and services from the CNMC Group under the 2023 Mutual Supply Framework Agreement**

As CNMC indirectly owns an aggregate of 66.63% of the issued share capital of the Company through CNMD, CNMC is therefore a controlling shareholder of the Company, and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2023 Mutual Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest revised annual cap for transactions in relation to the supply of raw materials, products and services from the CNMC Group to the Group contemplated under the 2023 Mutual Supply Framework Agreement exceed 5%, such relevant transactions contemplated under the 2023 Mutual Supply Framework Agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Financial Services Framework Agreement

As CNMC indirectly owns an aggregate of 66.63% of the issued share capital of the Company through CNMD, CNMC Finance, being a subsidiary of CNMC, is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

(1) *The deposit services*

As certain of the applicable percentage ratios under the Listing Rules in respect of the highest proposed annual cap for transactions in relation to deposit services contemplated under the Financial Services Framework Agreement exceed 5% but all are less than 25%, the transactions in relation to deposit services contemplated under the Financial Services Framework Agreement constitute (i) a discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) continuing connected transactions of the Company subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) *Miscellaneous treasury management services*

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the proposed total fees payable by the Company to CNMC Finance for transactions in relation to the miscellaneous financial services contemplated under the Financial Services Framework Agreement exceed 0.1% but all are less than 5%, the transactions in relation to miscellaneous financial services contemplated under the Financial Services Framework Agreement are subject to the reporting, annual review and announcement but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Dingfan QIU, Mr. Guangfu GAO and Mr. Huanfei GUAN, has been established to make recommendation to the Independent Shareholders regarding the Non-exempt Continuing Connected Transactions.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the Non-exempt Continuing Connected Transactions (including the Relevant Proposed Caps) are (i) conducted in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; (iii) fair and reasonable so far as the Independent Shareholders are concerned; and (iv) in the interests of the Company and the Shareholders as a whole; and to further give independent advice to the Independent Board Committee and the Independent Shareholders as to whether they should vote in favour of the Non-exempt Continuing Connected Transactions.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we have acted as the independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to continuing connected transactions, details of which were set out in the circular of the Company dated 4 December 2023 (the “**Previous Engagement**”). The professional fees in connection with the Previous Engagement had been fully settled, and the amount involved therein was very insignificant when compared to the total revenue of South China Capital and its holding and member companies as a whole. We therefore are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we do not consider the Previous Engagement gives rise to any conflict of interests for South China Capital in respect of the Non-exempt Continuing Connected Transactions. Apart from normal professional fees paid or payable to us in connection with the Previous Engagement as well as this 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. Accordingly, we consider that we are independent pursuant to the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendation, we have reviewed, among other things, each of the 2023 Mutual Supply Framework Agreement, the Financial Services Framework Agreement, each of the Company's annual reports for the two financial years ended 31 December (the "FY(s)") 2022 (the "**2022 Annual Report**") and 2023 (the "**2023 Annual Report**"). We have also discussed with the management of the Group (the "**Management**") regarding the commercial implications of the Non-exempt Continuing Connected Transactions. In addition, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the Management. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the Management for which they are solely responsible for, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information which forms a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations whose omission would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, CNMC Group and CNMC Finance.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Non-exempt Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

1. Information of the parties*The Company*

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in exploration of copper and cobalt, mining, ore processing, leaching smelting and sale of copper cathodes, blister copper and copper anodes, cobalt contained in cobalt hydroxide, sulfuric acid and liquid sulfur dioxide.

CNMC

CNMC is wholly-owned and administered by the SASAC and is principally engaged in the development of nonferrous metal resources, construction and engineering, as well as related trade and services.

As at the Latest Practicable Date, CNMC indirectly owns an aggregate of 66.63% of the issued share capital of the Company through CNMD.

CNMC Finance

CNMC Finance is a financial institution established with the approval of the China Banking and Insurance Regulatory Commission and under the laws of the PRC. CNMC Finance is mainly engaged in the provision of financial services, and is a subsidiary of CNMC, its ultimate beneficial owner. As at the Latest Practicable Date, CNMC Finance is owned as to 95% by CNMC and 5% by Daye Nonferrous Metals Group Holdings Co., Ltd* (大冶有色金屬集團控股有限公司), which is in turn owned as to approximately 57.99% and 38.6% by CNMC and Yangtze River Industrial Investment Group Co., Ltd.* (長江產業投資集團有限公司) (“**Yangtze Industrial**”), respectively. Yangtze Industrial is wholly-owned and administered by the State-owned Assets Supervision and Administration Commission of Hubei Provincial People’s Government; and CNMC is wholly-owned and administered by the SASAC.

2. Revision of annual caps for the supply of raw materials, products and services from the CNMC Group under the 2023 CNMC Mutual Supply Agreement

2.1 Background of and reasons for the revision of annual caps therefor

Reference is made to the Company’s announcement dated 27 May 2024. Taking into account of the expected increase in business development of the Group, the Directors expect that the existing annual caps for the supply of raw materials, products and services from the CNMC Group to the Group under the 2023 Mutual Supply Framework Agreement for the three years ending 31 December 2026 will not be adequate for the Group’s needs. The Directors therefore propose to revise the relevant existing annual caps.

The Group continues to procure raw materials, products and services from the CNMC Group and continues to require such raw materials, products and services from the CNMC Group for the business development of the Group. The Directors consider that the 2023 Mutual Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the raw materials and products supplied are in close proximity to the production facilities of the Group and therefore can reduce the Group’s production costs and further enhance the profitability of the Group’s operations. The services provided by the CNMC Group can also supplement the Group’s operation capacity, and a better manpower arrangement of the Group can be maintained.

As CNMC has business developments in the PRC, Zambia, the DRC and other countries, the Group’s business dealings with the CNMC Group will help the Group gather business information in those countries, continue expanding its business reach and channels, thus enhancing the business opportunities of the Group.

* Translation of English or Chinese terms for reference purpose only

2.2 *Principal terms of the 2023 Mutual Supply Framework Agreement*

The proposed revised annual caps for the supply of raw materials, products and services from the CNMC Group under the 2023 Mutual Supply Framework Agreement will only increase the annual caps of the three FYs from 2024 to 2026 for the supply of raw materials, products and services from the CNMC Group. Save for the proposed revised annual caps, there are no change to the other aspects of the 2023 Mutual Supply Framework Agreement. For further details of the terms thereunder, please refer to the Letter from the Board.

Pricing basis

In respect of the pricing terms thereunder, we have reviewed three sets of sample transaction documents in relation to the supply of raw materials, products and services from the CNMC Group. We consider the selected sample connected transaction documents that we have reviewed to be representative and sufficient because, in respect of selection criteria, (i) they were all transactions randomly selected and involved the relevant purchases from the CNMC Group; (ii) they were transactions that took place recently in last 12 months that can reflect the Group's latest business practice in its ordinary and usual course of business; and (iii) as we did not identify any anomaly when we reviewed such samples, we therefore did not require further samples and this sample size is in line with our usual practice. We noted that the pricing basis of the sample contracts with the CNMC Group was generally in line with the pricing basis as mentioned in the Letter from the Board.

As disclosed in the Letter from the Board, before a specific agreement is entered into, the Group's procurement and sales departments will make public enquiry with similar goods and/or service providers in the market, which are Independent Third Parties, as to the price or fees of the products and services and determine the pricing terms based on the quotations obtained. The Group's procurement and sales departments will generally obtain around two to three quotations from different independent goods and/or service providers. The Group's finance and legal departments will review the terms of the specific agreements, focusing on the pricing and payment terms.

In assessing whether the above internal control procedures are put in place and effectively implemented, we have obtained and reviewed the relevant documentation regarding comparison of price or fee quotations from independent goods and/or service providers, and noted that the Group will make public enquiry with similar good and/or service providers in the market which are Independent Third Parties, as to the prices or fees of the products and services and determine the pricing and payment terms of each specific agreement. As such, we concur with the Directors' view that appropriate internal control procedures are in place to ensure the terms of each specific agreement are on normal commercial terms and in compliance with the 2023 Mutual Supply Framework Agreement.

Having considered, in particular, (i) our independent review of the pricing terms in relation to the supply of raw materials, products and services from the CNMC Group under the 2023 Mutual Supply Framework Agreement; (ii) the internal control measures of the Group currently in place; and (iii) the independent auditors of the Company and the independent non-executive Directors have reviewed and will review the continuing connected transactions of the Group, we are of the view that (i) the Group has sufficient internal control measures for governing the transactions for the supply of raw materials, products and services from the CNMC Group under the 2023 Mutual Supply Framework Agreement from time to time; and (ii) the terms of the transactions for the supply of raw materials, products and services from the CNMC Group under the 2023 Mutual Supply Framework Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

2.3 Proposed annual caps

Historical transaction amounts

Set out below is the historical actual transaction amounts for the supply of raw materials, products and services from the CNMC Group for the three FYs from 2021 to 2023 and the four months ended 30 April 2024, as well as the proposed annual caps for each of the three FYs from 2024 to 2026:

	Historical actual transaction amounts				Proposed annual caps		
	FY2021	FY2022	FY2023	4/2024	FY2024	FY2025	FY2026
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Supply of raw materials, products and services from the CNMC Group	386,226	459,248	411,359	69,000	490,000	520,000	540,000
Increase/(decrease) from previous FY		18.9%	(10.4%)		19.1%	6.1%	3.8%

As at the Latest Practicable Date, the actual transaction amount for the supply of raw materials, products and services from the CNMC Group has not exceeded the existing annual cap for the year ending 31 December 2024.

As set out in the Letter from the Board, the proposed revised annual caps for the supply of raw materials, products and services from the CNMC Group under the 2023 Mutual Supply Framework Agreement were determined by reference to, among other things, (i) historical transaction values and volume, in particular, the actual transaction amount for the FY 2023; (ii) projected increase in demand for raw materials, products and services by the Group from the CNMC Group, in particular, the Company plans to accelerate the progress of Luanshya no. 28 shaft, the second phase of the expansion of the southeast ore body of Kianbichi and other projects which will require an increase in the cost of design, construction, supervision

and procurement of spare parts; (iii) recent increase in copper price; (iv) the expected increase in the purchase cost of electricity due to the limited supply of electricity in the DRC and Zambia region and the Company's increasing demand for diesel generator sets for ensuring its productivity; and (v) a buffer of about 20% to enable the Group to flexibly respond to various unexpected increases in demand and/or prices. The Group has taken into account its various development and expansion projects for which it plans to procure raw materials, products and services from the CNMC Group. The Company also plans to increase investment in science and technology, safety and environmental protection, and renovate the existing facilities and equipment, which will increase the relevant construction costs.

In assessing the fairness and reasonableness of the above proposed revised annual caps, we have reviewed the working schedule prepared by the Management for each of the coming three years ending 31 December 2026, which sets out the estimated transaction amounts for each year.

We note that (i) from the public website, the average monthly LME (London Metal Exchange) Copper cash-settlement price has increased from approximately US\$8,174 in November 2023 to US\$9,482 in April 2024, representing an increase of about 16%; (ii) the buffer of about 20% which allows the Group to have flexibility to cater the unexpected increase in demand and/or prices (such as the increase of the copper price as mentioned above); (iii) the CAGR of the transaction amounts for the supply of raw materials, products and services from the CNMC Group of about 3.2% for the FY2021 to 2023; (iv) the projected CAGR of the transaction amounts for the supply of raw materials, products and services from the CNMC Group of about 12.6% for the FY 2023 to 2026; and (v) the quarterly growth of the transaction amounts for the supply of raw materials, products and services from the CNMC Group of fourth quarter of 2023, being approximately US\$176,328,000, or about 125% as compared to the average quarterly transaction amounts of the supply of raw materials, products and services from the CNMC Group for nine months ended 30 September 2023, being approximately US\$78,344,000, in addition, as discussed with the Management, the main reason for the increase of the supply of raw materials, products and services from the CNMC Group under the 2023 Mutual Supply Framework Agreement is mainly due to the acceleration of the progress of Luanshya no. 28 shaft, the second phase of the expansion of the southeast ore body of Kianbichi and other projects, as such, we are of the view that the growth rates in the abovementioned schedule (being 19.1% of 2024, 6.1% of 2025 and 3.8% of 2026) shall be justifiable, fair and reasonable.

Having considered that the abovementioned revised annual caps are determined primarily based on (i) the acceleration of the development progress of the Group's existing projects and development plan; (ii) the demand for raw materials, products and services from the CNMC Group due to the latest development plan; and (iii) the historical transaction amounts conducted between the Group and the CNMC Group, we consider the bases and factors in determining the relevant proposed revised annual caps for the supply of raw materials, products and services by the Group to the CNMC Group under the 2023 Mutual Supply Agreement to be fair and reasonable.

3. Financial Services Framework Agreement

3.1 *Reasons for entering into the Financial Services Framework Agreement*

As disclosed in the Letter from the Board, the Company entered into the Financial Services Framework Agreement with CNMC Finance for the following reasons:

While the maximum daily deposit balance of the deposit services is set, the Group can withdraw deposit from the accounts with CNMC Finance according to the Group's business needs, which is not subject to any restrictions imposed by the CNMC Finance. Apart from CNMC Finance, the Group has business cooperation with a number of financial institutions, which can provide timely financial services to the Group as and when needed.

The interest rates of the deposit services and relevant handling fees of the miscellaneous financial services offered by CNMC Finance to the Group will be the same as or more favorable than (as the case may be) those interest rates or handling fees individually offered by any Independent Third Party to the Group using such relevant services.

CNMC Finance, which is regulated by the PBOC and National Financial Regulatory Administration, is a non-banking financial institution authorized to provide various types of financial services, including deposit and other financial services. The Group may utilize CNMC Finance as a medium to allocate the funds between members of the Group more effectively, thereby improving the level of liquidity of the Group and enhancing the overall solvency of the Group.

The Group will continue to utilize various services from CNMC Finance, including the deposit services and miscellaneous financial services according to the Financial Services Framework Agreement. Such arrangement will enhance the bargaining power of the Company when negotiating with third party commercial banks for the same or similar services, which may lower the financing costs of the Company.

CNMC Finance is limited to serving the needs and requests of the member companies and is familiar with the Company's operation. Therefore, CNMC Finance can provide services on a prioritized and more efficient manner than other commercial banks in the PRC, from which the Company is expected to benefit.

In view of the above, the Company considers that the terms of the Financial Services Framework Agreement are fair and reasonable, beneficial for the overall development of the Company and in the interests of the Company and the Shareholders as a whole.

3.2 *Principal terms of the Financial Services Framework Agreement*

Purpose and scope

Pursuant to the Financial Services Framework Agreement, CNMC Finance agreed to provide certain financial services, including (1) the deposit services, and (2) miscellaneous financial services (including but not limited to foreign exchange settlement and sales services and settlement services), to the Group for a term commencing from the Effective Date to 31 December 2026. Details of the deposit services are set out below:

The Group will open deposit accounts with CNMC Finance and deposit funds in such accounts based on a voluntary basis. The form of deposit can be current deposit, time deposit, call deposit, or agreed deposit, etc. CNMC Finance shall ensure the safeguard of the Group's deposits, and promptly and fully release the funds as requested by any member of the Group. If CNMC Finance fails to release the deposit in full and on time to any member of the Group within one business day upon the receipt of fund use request from such member of the Group without justified reasons and fails to do so after the reminder from such member of the Group, the Company shall have the right to terminate the Financial Services Framework Agreement.

Terms

Conditional upon the approval by the Independent Shareholders, the term of the Financial Services Framework Agreement shall commence from the Effective Date to 31 December 2026.

Pricing Basis

The interest rate for the deposits of the Group with CNMC Finance shall not be lower than the interest rate for the same type of deposit announced by PBOC for the same period, or provided by major PRC commercial banks and/or other financial institutions for the same period, and shall not be lower than the interest rate for the same type of deposit CNMC Finance provided to CNMC Group for the same period.

Assessment on the pricing basis

In assessing the fairness and reasonableness of the pricing basis, we have (1) compared the interests paid by CNMC Finance during 21 December 2023 to 20 March 2024 (the "**Review Period**") with 4 interests paid by Independent Third Parties during the Review Period and we note that the interest rate offered to the Group by CNMC Finance is no less favourable than those of the interest rate offered by the Independent Third Parties; and (2) discussed with the Management and noted that in order to ensure that the pricing basis is on normal commercial terms and no less favourable than those of the same (or similar) services provided by Independent Third Parties at the relevant times, the Company will obtain at least one quotation from Independent Third Parties for comparison purposes when determining the respective terms and prices to be entered into with CNMC Finance.

Given that (1) the cooperation between the Company and the CNMC Finance under the Financial Services Framework Agreement is on non-exclusive basis; and (2) the undertaking given by CNMC Finance under the Financial Services Framework Agreement, we are of the view that the above pricing basis is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

3.3 *Proposed annual caps*

Historical transaction amounts

The maximum daily deposit balance (including accrued interests) of the deposits placed with CNMC Finance by the Company's representative entities in mainland China for the period covering (i) 25 December 2023 to 31 December 2023; and (ii) 1 January 2024 to 30 April 2024 were approximately RMB69,604,000 and RMB136,953,245, respectively.

Proposed annual caps and basis of determination

The Company estimates that the maximum daily deposit balance (including accrued interests) of the deposits placed with CNMC Finance by the Group during the term of the Financial Services Framework Agreement and the basis of determination of such annual caps are set out as follows:

	For FY		
	2024	2025	2026
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Maximum daily deposit balance (including accrued interests)	450,000,000	450,000,000	450,000,000

Note: The conversion of foreign currencies shall be made at the central parity rate published by the SAFE on the relevant date of the deposit.

The above proposed annual caps for the transactions under the deposit services were determined with reference to the followings: (1) the actual aggregate cash and deposits that were maintained by the Group with other independent commercial banks or other financial institutions in the PRC; (2) the deposits and cash expected to be provided by the Group to CNMC Finance based on the business plan, growth in business scale and operation in the next three years; (3) the expected increase in deposits based on the expense settlement practices of the business activities of the Group, which are principally engaged in non-profit business activities related to the foreign (regional) enterprises; and (4) the expected amount of interest income to be generated from the expected deposit balance in CNMC Finance by the Group in the upcoming years.

In assessing the fairness and reasonableness of the above proposed annual caps, we have reviewed the Group's bank balances and cash (including the time deposit but excluding the restricted bank balances) as at 31 December 2022 to 2023, which amounted to approximately US\$762.9 million and US\$602.4 million, respectively. The Group's bank balances and cash as at 31 December 2023 (i.e. approximately US\$602.4 million) represented approximately 1.34 times to the proposed annual caps for the three FYs from 2024 to 2026. Based on the above observation, we are of the view that the above proposed annual caps are reasonably determined.

4. Internal control procedures of the Group

As mentioned in the Letter from the Board, the Management will be responsible for supervising and monitoring the transactions under the Financial Services Framework Agreement to ensure that the Financial Services Framework Agreement are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The Management will also conduct regular checks to review and assess whether the transactions contemplated under the Financial Services Framework Agreement are in compliance with the terms of the agreement and the pricing policy. The finance department of the Company will regularly monitor the actual amounts incurred for each type of continuing connected transactions for the purpose of ensuring the annual caps stipulated in the agreements are not exceeded. The Company's independent auditor will also conduct an annual review on the pricing terms and annual caps of the Financial Services Framework Agreement.

As disclosed in each of the 2022 Annual Report and 2023 Annual Report, (a) the independent non-executive Directors have reviewed the continuing connected transactions and confirmed that each of continuing connected transactions thereunder has been entered into: (i) in the ordinary course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; (b) the Company has designated the compliance committee to continuously monitor the continuing connected transactions with its connected persons. The compliance committee continuously traces and regularly monitors the progress of the continuing connected transactions and reports to the Management. The compliance committee reviews the continuing connected transactions with the finance department to ensure that annual caps are not exceeded. The heads of different departments of the Company will also be informed on a periodic basis in relation to the terms and pricing policies of the continuing connected transactions. The compliance committee will communicate with the audit committee of the Company, the Management and the Board of Directors, monthly or as needed, to report the progress of the continuing connected transactions, and request for approval of new changes of existing transaction terms. The audit committee of the Company and the compliance committee have also assigned the independent internal audit team the task to ensure that the Company's internal control measures in respect of the continuing connected transactions remain effective and complete; and (c), the auditor of the Company confirmed that, for the FY 2023, (1) nothing has come to their attention that causes them to believe that the above continuing connected transactions have not been approved by the Board; (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; or (4) with respect to the aggregate amount of each of the above continuing connected transactions, nothing has come to their attention that causes them to believe that the above continuing connected transactions have exceeded the respective annual cap.

Based on the above, we are of the view that the Group has effective internal control policies in place to monitor the Non-exempt Continuing Connected Transactions, and hence the interests of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account the principal factors and reasons as referred to the above, we are of the view that the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps) are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the respective resolutions to be proposed at the AGM to approve the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps).

Yours faithfully,
For and on behalf of
South China Capital Limited

Nicholas Cheng
Managing Director

Felix Leung
Associate Director

Note:

Mr. Nicholas Cheng and Mr. Felix Leung are licensed persons registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Nicholas Cheng has extensive experience in corporate finance industry and has participated in, and completed, the provision of independent financial advisory services for numerous connected transactions involving listed companies in Hong Kong. Mr. Felix Leung has over ten years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors or chief executives had any interests or short positions 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 would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO); or interests or short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests or short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as stipulated in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and chief executives of the Company, the persons, other than the Directors and chief executives of the Company, who had an interest or a short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Substantial Shareholder	Capacity/ Nature of Interest	Long/Short Position	Number of Shares	Approximate Percentage of Shareholdings
CNMD (<i>Note</i>)	Registered owner	Long position	2,600,000,000	66.63%
CNMC Group	Interest in a controlled corporation	Long position	2,600,000,000	66.63%

Note: CNMD is a wholly-owned subsidiary of CNMC and therefore, by virtue of the SFO, CNMC is deemed or taken to be interested in all the shares which are owned by CNMD.

All the interests stated above represent long positions. As at the Latest Practicable Date, no short positions were recorded in the Register of Interests in shares and short positions required to be kept under section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company are not aware of any other person (other than the Directors and chief executives of the Company) having interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the experts who have given their opinions or advice which are contained in this circular:

Name	Qualifications
South China Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
(a)	As at the Latest Practicable Date, South China Capital had not had any beneficial interest in the share capital of any member of the Group, did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which had been, since 31 December 2023, being the date of the latest published audited accounts of the Company, acquired by, disposed of or leased to or are proposed to be acquired by, disposed of or leased to any member of the Group.
(b)	South China Capital has given and has not withdrawn its written consent to the issue of this circular with inclusion of its opinion and letter, as the case may be, and the references to its name included herein in the form and context in which they respectively appear.
(c)	The letter and recommendation given by South China Capital are given as of the date of this circular for incorporation herein.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading positions of the Company since 31 December 2023, being the date to which the latest published audited financial statements of the Company have been made up.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group referred to in Rule 13.68 of the Listing Rules (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. INTERESTS OF THE DIRECTORS

- (a) The Directors are not aware of any Director or his respective close associates having, as at the Latest Practicable Date, any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under the Listing Rules.
- (b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group taken as a whole.
- (c) Since 31 December 2023, being the date of the latest published audited consolidated accounts of the Company, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired by, disposed of or leased to or which are proposed to be acquired by, disposed of or leased to, any member of the Group.

9. GENERAL

- (a) The registered office of the Company is situated at Unit 1303, 13/F, Austin Tower, 22–26 Austin Avenue, Tsimshatsui, Kowloon, Hong Kong.
- (b) The Company's share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Company's website at <http://www.cnmcl.net> and the website of the Stock Exchange at <http://www.hkexnews.hk> from the date of this circular up to and including the date of the AGM:

- (a) the 2023 Mutual Supply Framework Agreement;
- (b) the Financial Services Framework Agreement;
- (c) the letter of recommendations from the Independent Board Committee, the text of which is set out on page App III-1 of this circular;
- (d) the letter of advice issued by South China Capital, the text of which is set out on pages App IV-1 to App IV-13 of this circular; and
- (e) the written consent referred to in paragraph 4 of this appendix.

NOTICE OF AGM



China Nonferrous Mining Corporation Limited 中國有色礦業有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 01258)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “**AGM**”) of China Nonferrous Mining Corporation Limited (the “**Company**”) will be held at Bowen Room, 7/F, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Thursday, 27 June 2024 at 3:00 p.m. for the following purposes:

AS ORDINARY RESOLUTIONS

1. To receive and consider the audited consolidated financial statements and the reports of the directors of the Company and independent auditor for the year ended 31 December 2023.
2. To declare a final dividend of US¢2.9702 per share of the Company for the year ended 31 December 2023.
3. (a) To re-elect the directors of the Company (the “**Directors**”):
 - (i) to re-elect Ms. Yani GONG as a non-executive Director;
 - (ii) to re-elect Mr. Dingfan QIU as an independent non-executive Director;
 - (iii) to re-elect Mr. Guangfu GAO as an independent non-executive Director; and
 - (iv) to re-elect Mr. Huanfei GUAN as an independent non-executive Director; and(b) to authorise the board of Directors (the “**Board**”) to fix the remuneration of each Director.
4. To re-appoint KPMG as the auditor of the Company and to authorise the Board to fix its remuneration.

NOTICE OF AGM

To consider, as special business, and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

5. “**THAT**

- (a) subject to paragraph (c) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company (the “**Shares**”) and to make or grant offers, agreements and options (including warrants, bonds, notes, and other securities which carry rights to subscribe for or are convertible into shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period (as hereinafter defined) to allot, issue and deal with additional Shares and to make or grant offers, agreements and options (including bonds, warrants, debentures, notes and any securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company (the “**Articles of Association**”) in force from time to time; or (iii) an issue of Shares upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into Shares, shall not exceed 20% of the number of shares of the Company in issue as at the date of the passing of this resolution (subject to adjustment in the case of any conversion of or any or all of the Shares into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) after the passing of this resolution), and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
 - (ii) the expiration of the period within the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company (the “**Shareholders**”) in general meeting revoking or varying the authority given to the Directors by this resolution.

NOTICE OF AGM

“Rights Issue” means an offer of Shares or securities of the Company or issue of option, warrants or other securities giving the right to subscribe for Shares open for a period fixed by the Directors, to holders of Shares, or any class thereof whose name appear on the register of members of the Company on a fixed record date (and, where appropriate, to holders of other securities of the Company entitled to the offer, if any) in proportion to their holdings of such shares (or, where appropriate, such other securities) (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

6. **“THAT**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to buy-back or otherwise acquire Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by The Securities and Futures Commission of Hong Kong (the **“Securities and Futures Commission”**) and the Stock Exchange for such purpose, subject to and in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange or any other stock exchange as amended from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of shares of the Company authorised to be bought-back by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the number of shares of the Company in issue as at the date of the passing of this resolution (subject to adjustment in the case of any conversion of or any or all of the Shares into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) after the passing of this resolution), and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally subject to conditions;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; and
 - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution.”

NOTICE OF AGM

7. **“THAT**

subject to the passing of resolution number 6 set out in this notice convening this meeting, the general mandate granted to the Directors to allot, issue and deal with additional Shares pursuant to resolution number 5 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate number of Shares bought-back by the Company under the authority granted pursuant to resolution number 6 set out in this notice convening this meeting, provided that such amount of Shares so bought-back shall not exceed 10% of the number of shares of the Company in issue as at the date of passing this resolution (subject to adjustment in the case of any conversion of or any or all of the Shares into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) after the passing of this resolution).”

8. **“THAT**

- (a) the proposed annual cap in respect of the supply of raw materials, products and services from the CNMC Group to the Group under the 2023 Mutual Supply Framework Agreement for the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 be revised from US\$353,100,000, US\$395,000,000 and US\$395,000,000 to US\$490,000,000, US\$520,000,000 and US\$540,000,000, respectively; and
- (b) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his discretion consider necessary or desirable or expedient for the purpose of or in connection with the proposed revision of annual cap under the 2023 Mutual Supply Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the 2023 Mutual Supply Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company.”

NOTICE OF AGM

9. **“THAT**

- (a) the agreement dated 27 May 2024 between the Company and Nonferrous Metal Mining Group Finance Co., Ltd.* (有色礦業集團財務有限公司) (“**CNMC Finance**”) in relation to the provision of certain financial services by CNMC Finance to the Company and its subsidiaries (including its representative entities in mainland China) (the “**Financial Services Framework Agreement**”) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the maximum daily deposit balance (including accrued interests) of the deposits placed with Finance by the Company and its subsidiaries (including its representative entities in mainland China) during the term of the Financial Services Framework Agreement shall not exceed US\$450,000,000 for each of the periods covering (i) the period from the date of the Financial Services Framework Agreement after the relevant internal approvals having been obtained by the Company and CNMC Finance and the date of approval by the Independent Shareholders at the AGM (whichever is later) to 31 December 2024, (ii) for the year ending 31 December 2025 and (iii) for the year ending 31 December 2026, respectively;
- (c) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his discretion consider necessary or desirable or expedient for the purpose of or in connection with the Financial Services Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the Financial Services Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company.”

By order of the Board of Directors
China Nonferrous Mining Corporation Limited
He YANG
Chairman

4 June 2024

* *Translation of English or Chinese terms for reference purpose only*

NOTICE OF AGM

Notes:

1. Persons who hold shares of the Company and whose names appear on the register of members as at close of business on Friday, 21 June 2024 shall be entitled to attend the AGM.
2. A member of the Company entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. In order to be valid, the proxy form for use at the AGM (the “**AGM Proxy Form**”), together with the power of attorney or other authority, if any, under which it is signed, or a certified copy thereof, must be returned to the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event by no later than 48 hours (excluding any part of a day that is a public holiday) before the time for the holding of the AGM.
4. Completion and delivery of the AGM Proxy Form should not preclude a member from attending and voting in person at the AGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed from Monday, 24 June 2024 to Thursday, 27 June 2024, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 21 June 2024.
6. In relation to resolution number 3.(a) above, Ms. Yani GONG, Mr. Dingfan QIU, Mr. Guangfu GAO and Mr. Huanfei GUAN will retire from their offices of Directors at AGM and, being eligible, offer themselves for re-election . The details of the Directors to be offered for re-election are set out in Appendix II to this circular.
7. In relation to resolutions number 5 and 7 above, approval is being sought from the Shareholders for the granting to the Directors of a general mandate to authorise the allotment and issue of Shares under the Listing Rules.
8. In relation to resolution number 6 above, the Directors wish to state that they will exercise the powers conferred thereby to buy-back Shares in circumstances which they deem appropriate for the benefit of the Shareholders. The Explanatory Statement containing the information necessary as required by the Listing Rules, is set out in Appendix to this circular.
9. Members who have any queries concerning the meeting arrangements, please call the Company at +852 2797 2777 or +86 10 8442 6085 during business hours from 9:00 a.m. to 5:00 p.m. on Mondays to Fridays, excluding public holidays.
10. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
11. As at the date of this notice, the Board comprises Mr. He YANG as an executive Director; Mr. Yaoyu TAN and Ms. Yani GONG as non-executive Directors; and Mr. Dingfan QIU, Mr. Guangfu GAO and Mr. Huanfei GUAN as independent non-executive Directors.