

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

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

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

**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) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2021 TO 2023 AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

**INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE AND  
THE INDEPENDENT SHAREHOLDERS**



RAINBOW CAPITAL (HK) LIMITED  
流博資本有限公司

---

A notice convening the EGM to be held at Conference Room 619, 6/F, South Tower, CNMC Building, No 10 Anding Road, Chaoyang District, Beijing, the PRC on Wednesday, 16 December 2020 at 2:30 p.m. is set out on pages 52 to 54.

Whether or not you are able to attend the EGM, you are advised to read the notice of EGM 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 in Hong Kong) before the time for holding the EGM, completion and return of the proxy form will not preclude you from attending and voting at the EGM 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 [www.cnmc.net](http://www.cnmc.net) and the website of the Stock Exchange at [www.hkexnews.hk](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 any statement herein or this circular misleading.

20 November 2020

---

# CONTENTS

---

	<i>Pages</i>
<b>DEFINITIONS</b> .....	ii
<b>LETTER FROM THE BOARD</b> .....	1
<b>INTRODUCTION</b> .....	2
A. <b>NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS</b> .....	2
(I) <b>RENEWAL OF CONTINUING CONNECTED TRANSACTIONS         IN RESPECT OF 2021 TO 2023</b> .....	2
(II) <b>INTERNAL CONTROL MEASURES</b> .....	18
B. <b>CLOSURE OF REGISTER OF MEMBERS</b> .....	20
C. <b>EGM</b> .....	20
<b>RECOMMENDATION OF THE BOARD</b> .....	21
<b>RECOMMENDATION OF THE INDEPENDENT FINANCIAL ADVISER AND THE INDEPENDENT BOARD COMMITTEE</b> .....	21
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	23
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	24
<b>APPENDIX – GENERAL INFORMATION</b> .....	48
<b>NOTICE OF EGM</b> .....	52

---

## DEFINITIONS

---

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

“2017 CNMC Copper Supply Framework Agreement”	the framework agreement dated 18 April 2017 between the Company and CNMC in relation to the sale of copper products to the CNMC Group
“2017 Framework Agreements”	the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement
“2017 Mutual Supply Framework Agreement”	the framework agreement dated 18 April 2017 between the Company and CNMC in relation to the mutual provision of raw materials, products and services
“2020 CNMC Copper Supply Framework Agreement”	the framework agreement dated 30 October 2020 between the Company and CNMC in relation to the sale of copper products to the CNMC Group
“2020 Framework Agreements”	the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement
“2020 Mutual Supply Framework Agreement”	the framework agreement dated 30 October 2020 between the Company and CNMC in relation to the mutual provision of raw materials, products and services
“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
“CCS”	Chambishi Copper Smelter Limited (謙比希銅冶煉有限公司*), a company incorporated in Zambia and a subsidiary of the Company
“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

---

## DEFINITIONS

---

“CNMC Group”	CNMC and its subsidiaries, excluding, for the purpose of this circular, the Group
“CNMC Huachin Mabende”	CNMC Huachin Mabende Mining SA(中色華鑫馬本德礦業股份有限公司*), a company established under the law of the DRC and a subsidiary of the Company
“CNMD”	China Nonferrous Mining Development Limited (中色礦業發展有限公司*), a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of CNMC and the controlling shareholder of the Company
“COMEX”	Commodity Exchange, Inc, a division of the New York Mercantile Exchange, an exchange for contracts in energy and precious metals
“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
“continuing connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“DRC”	the Democratic Republic of Congo
“EGM”	the extraordinary general meeting of the Company to be held on 16 December 2020 to approve, among other things, the Non-exempt Continuing Connection Transactions (including the relevant Proposed Caps), or any adjournment thereof
“Group”	the Company and its subsidiaries

---

## DEFINITIONS

---

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huachin Leach”	Huachin Metal Leach SA (中色華鑫濕法冶煉股份有限公司*), a company established under the law of the DRC and a subsidiary of the Company
“Independent Board Committee”	an independent committee of the Board comprising Mr. Chuanyao SUN, Mr. Jingwei LIU and Mr. Huanfei GUAN
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as set out under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connection Transactions
“Independent Shareholders”	Shareholders other than CNMD and its associates
“Independent Third Party(ies)”	party(ies) not connected with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Kambove Mining”	Kambove Mining SAS (剛波夫礦業簡易股份有限公司*), a subsidiary of the Company established in the DRC
“kt”	kilo tonnes
“Latest Practicable Date”	16 November 2020, 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
“London Metal Exchange”	the London Metal Exchange, a futures exchange for options and futures contracts on base and other metals
“Lualaba Copper Smelter”	Lualaba Copper Smelter SAS (盧阿拉巴銅冶煉股份有限公司*), a company established in the DRC and a subsidiary of the Company
“Mabende Mining”	Mabende Mining SARL (馬本德礦業有限公司*), a company incorporated under the laws of the DRC

---

## DEFINITIONS

---

“NFCA”	NFC Africa Mining PLC (中色非洲礦業有限公司*), a company incorporated under the laws of Zambia and a subsidiary of the Company
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement as set out in this circular
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Cap(s)”	the proposed maximum annual aggregate value for each of the Non-exempt Continuing Connected Transactions of the Company in respect of 2021 to 2023 as set out in this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Futures Exchange”	the Shanghai Futures Exchange, an exchange for contracts in copper and other metals
“Shareholders”	holder(s) of the shares 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
“Tianjin Precious Metals Exchange”	Tianjin Precious Metals Exchange, an exchange for contracts in precious metals, including copper
“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 Directors:*

Mr. Jinjun ZHANG (*Vice Chairman and President*)

Mr. Xiaowei WANG

Mr. Chunlai WANG (*Vice President*)

*Independent non-executive Directors:*

Mr. Chuanyao SUN

Mr. Jingwei LIU

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)

20 November 2020

*To the Shareholders*

Dear Sir or Madam,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN  
RESPECT OF 2021 TO 2023**

**AND**

**(2) NOTICE OF EXTRAORDINARY 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 EGM to consider the renewal of continuing connected transactions in respect of 2021 to 2023 contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement (including the relevant proposed annual caps). This circular contains the explanatory statement in compliance with the Listing Rules and to give all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolutions. A notice convening the EGM is set out on pages 52 to 54 of this circular.

### A. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### (I) Renewal of Continuing Connected Transactions in Respect of 2021 to 2023

##### *Background*

References are made to (1) the announcement of the Company dated 18 April 2017 in respect of the continuing connected transactions contemplated under the 2017 Framework Agreements between the Company and CNMC in relation to (i) sale of copper products; and (ii) comprehensive mutual supply of raw materials, products and services; (2) the announcement of the Company dated 23 April 2018 in respect of the revision of annual caps of transactions under the 2017 Framework Agreements; and (3) the announcement of the Company dated 27 April 2020 in respect of the revision of annual caps of certain continuing connected transactions under the 2017 Mutual Supply Framework Agreement.

The 2017 Framework Agreements will expire on 31 December 2020. As the Company intends to continue to enter into transactions of a similar nature from time to time after 31 December 2020, on 30 October 2020, the Company on one hand and CNMC on the other hand entered into the 2020 Framework Agreements, the nature of which is similar to that of the transactions under the 2017 Framework Agreements, for a term of three years from 1 January 2021 to 31 December 2023.

##### **Continuing Connected Transactions under the 2020 Framework Agreements**

On 30 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into the 2020 Framework Agreements with CNMC (for itself and on behalf of its subsidiaries), in respect of transactions, the nature of which is similar to that of the transactions under the 2017 Framework Agreements, for a term of three years from 1 January 2021 to 31 December 2023. Subject to compliance with the applicable rules and regulations (including the Listing Rules), the term can be renewed for another three years upon mutual consent of the parties.



---

## LETTER FROM THE BOARD

---

Each of the 2020 Framework Agreements shall take effect upon the approval for the relevant 2020 Framework Agreements and the proposed annual caps thereunder having been obtained from the relevant authoritative bodies (including the Board and/or the Shareholders (if appropriate)) in accordance with the applicable rules and the Listing Rules.

During the current term of each of the 2020 Framework Agreements, members of the Group and members of CNMC may enter into specific agreements from time to time in respect of the provision and/or receipt of the relevant services and sale/purchase of goods to/from the relevant party upon and subject to the terms and conditions in compliance with those of the relevant 2020 Framework Agreements.

Other details and particulars of the 2020 Framework Agreements are set forth below.

**a) 2020 CNMC Copper Supply Framework Agreement**

*Parties*

- (1) The Company
- (2) CNMC

*Nature*

Pursuant to the 2020 CNMC Copper Supply Framework Agreement, the Company agreed to sell, or procure its subsidiaries to sell, copper products including blister copper and copper cathodes to the CNMC Group.

The quantity of each type of copper products to be sold to the CNMC Group is not fixed under the terms of the 2020 CNMC Copper Supply Framework Agreement but is to be determined and agreed between the relevant parties from time to time. Either party may terminate any specific agreement entered into pursuant to the 2020 CNMC Copper Supply Framework Agreement (but excluding the 2020 CNMC Copper Supply Framework Agreement) by giving the other party no less than one month's prior written notice.

The Company is not required to sell a minimum amount or any particular type of copper products to the CNMC Group during the term of this agreement.

---

## LETTER FROM THE BOARD

---

### *Pricing basis*

The consideration of the copper products sold will be determined with reference to the prevailing market price of the copper products at the time of each specific agreement to be entered into pursuant to the 2020 CNMC Copper Supply Framework Agreement. Such market price refers to (in order of sequence) (i) the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange; or (ii) the monthly moving average price or the monthly average settlement price of copper quoted on the Shanghai Futures Exchange; or (iii) when the market price of copper products could not be adequately reflected through (i) and (ii) at the place of sale or the receiving market, the price reasonably determined by both parties after making reference to the monthly average selling price of copper at the place of sale or the receiving market. Such price will be determined by making reference to the selling price charged by other renowned mining companies at the place of sale or receiving market, and a recognized copper stock index that is comparable to the London Metal Exchange or the Shanghai Futures Exchange, such as Tianjin Precious Metals Exchange or COMEX.

The Group had not encountered in the past the situation when the quoted price of London Metal Exchange and/or the Shanghai Futures Exchange cannot reflect the local market price.

### *Historical transaction amounts*

The table below sets forth the historical transaction amounts of the transactions under the 2017 CNMC Copper Supply Framework Agreement for the two years ended 31 December 2019 and the nine months ended 30 September 2020 and the annual caps for the three years ending 31 December 2020:

	<b>For the year ended 31 December 2018 (US\$)</b>	<b>For the year ended 31 December 2019 (US\$)</b>	<b>For the year ending 31 December 2020 (US\$)</b>
Historical transaction amount	878,246,000	915,961,000	808,817,885 <sup>1</sup>
Annual cap	2,115,600,000	2,550,200,000	3,198,000,000
Percentage of utilization	41.51%	35.92%	25.29%

### *Note:*

1. The unaudited historical transaction amount of the transactions under the 2017 CNMC Copper Supply Framework Agreement for the nine months ended 30 September 2020

## LETTER FROM THE BOARD

The above lower-than-expected utilization rates of the proposed annual caps in relevant years were mainly due to: (i) the copper price being lower than expected. The estimated copper price was US\$8,200 per tonne when the Company revised the relevant proposed annual caps in 2018, whilst the average copper prices quoted on the London Metal Exchange in 2018 and 2019 were only US\$5,949 per tonne and US\$6,149 per tonne, respectively; (ii) the output of certain projects of the Group being lower than expected, mainly due to delay of the construction and production of the Kambove Mining; and (iii) the lower sales volume of copper products from the Group to CNMC Group than expected, for purpose of lowering the proportion of connected transactions.

So far as the Directors are aware, the annual cap for the year ending 31 December 2020 has not been exceeded as at the date of this circular.

Currently, the copper products are charged in accordance with the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange.

The table below sets forth the historical production volume of copper cathodes and blister copper of the Group and the actual sales volume to the CNMC Group:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the nine months ended 30 September 2020 (unaudited)</b>
Production volume of copper cathodes	96,870 tonnes	104,404 tonnes	86,515 tonnes
Production volume of blister copper and copper anodes	220,479 tonnes	234,837 tonnes	199,642 tonnes
Total sales volume	319,225 tonnes	339,443 tonnes	296,846 tonnes
Sales volume to CNMC Group	149,030 tonnes	166,531 tonnes	144,946 tonnes
Percentage of sales	47%	49%	49%

### *Proposed annual caps and basis of determination*

The proposed annual caps for the on-going transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2023 and the basis of determination of such annual caps are set out as follows:

<b>For the year ending 31 December 2021 (US\$)</b>	<b>For the year ending 31 December 2022 (US\$)</b>	<b>For the year ending 31 December 2023 (US\$)</b>
1,904,400,000	2,179,700,000	2,210,400,000

---

## LETTER FROM THE BOARD

---

The above proposed annual caps were determined by reference to factors such as (i) historical transaction amounts and volumes; (ii) the Group's estimated copper production capacity and volume; (iii) estimated growth in the demand for copper products by the CNMC Group from the Group; and (iv) reasonable expected price range for the copper products provided by the Group for the three years ending 31 December 2023.

The Company has taken into consideration the increase in the Group's production output brought about by its development and expansion projects. The Group expects its production volume for copper cathodes to reach approximately 123kt, 148kt and 148kt in the three years ending 31 December 2023, respectively, and the production volume for blister copper and copper anodes to reach approximately 370kt, 402kt and 403kt in the three years ending 31 December 2023, respectively.

In view of the shortage of copper supply in the PRC and the expected order from the CNMC Group which is calculated based on historical transaction amount after allowing a reasonable/probable upward demand fluctuation, the Group expects to sell approximately 86kt, 102kt and 102kt of copper cathodes and 190kt, 205kt and 205kt of blister copper and copper anodes to the CNMC Group for the three years ending 31 December 2023, respectively. In aggregate, for the three years ending 31 December 2023, the Group expects to sell approximately 276kt, 307kt and 307kt of such copper products to the CNMC Group, respectively. Furthermore, the percentage of the sales volume of copper products to the CNMC Group for each of the three years ending 31 December 2023 is expected to be 56%, 56% and 56%, respectively, which is in line with the historical utilization rates of proposed annual caps under the 2017 CNMC Copper Supply Framework Agreement after taking into account the increasing trend of percentage of sales of copper products to the CNMC since 2018.

The above annual caps are determined on the basis that the forecasted copper price will be around US\$6,900 per tonne in 2021, US\$7,100 per tonne in 2022 and US\$7,200 per tonne in 2023. The increase in annual caps for the sales of copper to the CNMC Group is broadly commensurate with the increase in production volume of the Group following the completion of certain of the Group's expansion projects and investment in the future.

In view of the shortage of copper supply in the PRC, the CNMC Group has been increasing its orders for the Group's products as the Group increased its production volume over the years. Due to the Group's affiliation with the CNMC Group, the CNMC Group is more willing to, at the Group's request, make advance payments which allows the Group to better manage its working capital. The advance payment made by the CNMC Group thus allows the Group to save on the interest on bank loans which the Group may otherwise have to pay. Further, due to the nature of commodity transactions, the settlement amount is usually relatively high. Consequently, settlement risk is an important consideration. While the independent customers of the Group are carefully selected based on a number of factors including their creditworthiness, the Company believes that the risk of default by the CNMC Group is even lesser as CNMC is a state-owned enterprise in the PRC.

---

## LETTER FROM THE BOARD

---

Even though the CNMC Group has been the largest customer of the Group, there are other major customers of the Group who are Independent Third Parties. The Group believes that each of the independent major customers, or a combination of a few of them, has the capacity to purchase at least a very significant portion of the Group's copper output as they are international trading companies and there had been instances in the past when the Group had to turn down part of their orders due to their demand being greater than the Group's supply capacity. Nevertheless, to minimize customer concentration risk, the Group has diversified its sales to a number of independent major customers as well as sales to customers in Luxemburg, Zambia, the DRC, Switzerland and Singapore. In addition, the Group maintains close commercial relationships with various copper refiners in the PRC, which are customers for blister copper, and downstream copper processing plants, which are customers of copper cathodes. The Company believes that it will be able to sell its products directly to these refiners and copper processing plants upon needs.

### *Payment terms*

The payment terms will be agreed and detailed in the specific agreements.

In relation to sale of copper products to the CNMC Group, the payment terms are determined on a Free Carrier (FCA) basis (that is, the Group is required to deliver the copper products to the carrier at the Group's plants and the transportation cost and risks are transferred to the CNMC Group after delivery to the carrier). The CNMC Group will make advance payment for a portion of copper products and the remaining balance will be paid by wire transfer. The Directors are of the view that such payment terms are in line with market practice and the payment terms with the Company's Independent Third Party customers.

### *Reasons for and benefit of entering into the 2020 CNMC Copper Supply Framework Agreement*

The Group has been selling copper products to the CNMC Group and will continue to supply such products to the CNMC Group for its business needs. The Directors consider that the 2020 CNMC Copper Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the sales of copper products to CNMC Group can further enhance the business opportunities of the Group, broaden the revenue base of the Group and increase the capacity utilization level of the Group.

---

## LETTER FROM THE BOARD

---

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, and expand its business reach and channels, thus enhancing the business opportunities of the Group.

### *Listing Rules Implications*

As CNMC indirectly owns an aggregate of 74.52% of the issued share capital of the Company, CNMC is a connected person of the Company according to the Listing Rules. Accordingly, the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement constitute continuing connected transactions for the Company. As one or more of the applicable percentage ratios of the proposed annual caps in respect of the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement exceed 5%, such transactions and the proposed annual caps for such transactions for each of the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### ***b) 2020 Mutual Supply Framework Agreement***

#### *Parties*

- (1) The Company
- (2) CNMC

#### *Nature*

Pursuant to the 2020 Mutual Supply Framework Agreement,

- (a) both parties agreed to provide, or procure their respective subsidiaries to provide the following to each other:
  - raw material and products 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

---

- 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
  - 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 2020 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 third parties. Each party is entitled to obtain the relevant raw materials, products and services from Independent Third Parties if the other party cannot satisfy its requirements for such raw materials, products and services or the terms offered by 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 agreement entered into pursuant to the 2020 Mutual Supply Framework Agreement (but excluding the 2020 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 permitted to terminate and will continue to provide such raw materials, products and services under any circumstances.

### *Pricing basis*

For the sales and purchase of "raw materials and product supplies", it 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”, it 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 survey and 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 Ministry of Land and Resources. Such Notice published in 2007 is the latest applicable standards, which will 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 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.



---

## LETTER FROM THE BOARD

---

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.

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 Independent 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 procurement of raw materials, products and services from the CNMC Group substantially outweighs the transaction volume for the supply of raw materials, products and services to the CNMC Group. The Group will therefore be benefited from this pricing arrangement. In addition, the Group anticipates that substantially all of the transactions for 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.

---

## LETTER FROM THE BOARD

---

### *Historical transaction amounts*

The tables below set forth the historical transaction amounts of the transactions under the 2017 Mutual Supply Framework Agreement for the two years ended 31 December 2019 and the nine months ended 30 September 2020 and the annual caps for the three years ending 31 December 2020:

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

	<b>For the year ended 31 December 2018 (US\$)</b>	<b>For the year ended 31 December 2019 (US\$)</b>	<b>For the year ending 31 December 2020 (US\$)</b>
Historical transaction amount	346,995,000	321,378,000	143,957,226 <sup>1</sup>
Annual cap	608,560,000	621,550,000	491,913,000
Percentage of utilization	57.02%	51.71%	29.26%

*Note:*

1. The unaudited historical transaction amount of the transactions under the 2017 Mutual Supply Framework Agreement for the nine months ended 30 September 2020

The above lower-than-expected utilization rates of the proposed annual caps in relevant years in respect of the procurement of raw materials, products and services from the CNMC Group were mainly due to the fact that: (i) the Kambove Mining plans with proposed investment of US\$350 million were scheduled to commence construction in 2018 and complete in 2019, whilst its commencement of construction was postponed to 2020; (ii) the total investment amounts of the Group's projects including Lualaba Copper Smelter and reconstruction and expansion of CNMC Huachin Mabende were less than expected. Therefore, the relevant procurement demand of the Group decreased accordingly.

---

## LETTER FROM THE BOARD

---

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

	<b>For the year ended 31 December 2018 (US\$)</b>	<b>For the year ended 31 December 2019 (US\$)</b>	<b>For the year ending 31 December 2020 (US\$)</b>
Historical transaction amount	15,912,000	35,305,000	38,806,678 <sup>1</sup>
Annual cap	101,040,000	639,852,700	775,947,000
Percentage of utilization	15.76%	5.52%	5.00%

*Note:*

1. The unaudited historical transaction amount of the transactions under the 2017 Mutual Supply Framework Agreement for the nine months ended 30 September 2020

The above lower-than-expected utilization rates of the proposed annual caps in relevant years in respect of the supply of raw materials, products and services to the CNMC Group were mainly due to the fact that the Group's scheduled production capacity of the cobalt products, as a substantial part of products supplied to the CNMC Group, was 8,000 tonnes with the sales amount of US\$600 million accordingly. However, the Group's actual output of the cobalt products during 2018 to 2019 was lower than expected and the market price of cobalt metal also dropped significantly. The revenue from the cobalt products of the Group was US\$8.10 million and nil in 2018 and 2019, respectively.

There was an increase in the supply of raw materials, products and services to the CNMC Group in 2019 because of the increase in procurement of raw materials and services due to the project renovation and expansion conducted by Huachin Leach and CNMC Huachin Mabende.

So far as the Directors are aware, the respective annual caps for the year ending 31 December 2020 have not been exceeded as at the date of this circular.

Currently, the procurement of raw materials, products and services from the CNMC Group as well as the supply of raw materials, products and services to the CNMC Group are charged in accordance with market price. Such market price 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

---

### *Proposed annual caps and basis of determination*

The proposed annual caps for the on-going transactions contemplated under the 2020 Mutual Supply Framework Agreement for the three years ending 31 December 2023 and the basis of determination of such annual caps are set out as follows:

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

<b>For the year ending 31 December 2021 (US\$)</b>	<b>For the year ending 31 December 2022 (US\$)</b>	<b>For the year ending 31 December 2023 (US\$)</b>
357,921,851	420,847,952	413,906,538

The above proposed annual caps were determined by reference to factors such as (i) historical transaction values and volume; (ii) estimated demand for raw materials, products and services by the Group from the CNMC Group, which was driven by (a) completion of certain of the Group's projects, such as the integrated exploration and construction project of the Chambishi Southeast Mine of NFCA, the copper concentrates smelting project of Lualaba Copper Smelter and the yield of the copper-cobalt reconstruction and expansion project of Huachin Leach; (b) NFCA's plan to construct a cobalt recovery project in 2022; (c) the construction of the second phase of the project of Lualaba Copper Smelter which is expected to commence in 2022; and (d) Kambove Mining's plan to commence commercial production in 2021; and (iii) reasonable expected price range for the raw materials, products and services provided by the CNMC Group for the three years ending 31 December 2023.

In particular, the Group has considered its various development and expansion projects for which it plans to procure raw materials, products and services from the CNMC Group. In this regard, the Group has taken into consideration factors such as progress, nature, products and services as well as types of service providers required for each project.

The increase in the annual caps for the year ending 31 December 2022 and the year ending 31 December 2023, as compared to the annual cap ending 31 December 2021, is mainly due to the fact that NFCA plans to construct a cobalt recovery project in 2022 and Kambove Mining plans to commence commercial production of the project in 2021; therefore the Group expects to procure a majority of equipment, raw materials and services from the CNMC Group.

---

## LETTER FROM THE BOARD

---

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

<b>For the year ending 31 December 2021 (US\$)</b>	<b>For the year ending 31 December 2022 (US\$)</b>	<b>For the year ending 31 December 2023 (US\$)</b>
122,957,000	165,521,800	233,285,000

The above proposed annual caps were determined by reference to factors such as (i) historical transaction values and volume; (ii) estimated growth in the demand for raw materials, products and services by the CNMC Group from the Group, among which, mainly the cobalt products. The Company estimates that during 2021 to 2023, the price of cobalt metal will rise to US\$35,000, US\$42,000, US\$50,000 per tonne, respectively, and the Company expects that the output of cobalt metal in 2022 and 2023 will grow steadily. Therefore, the relevant proposed annual caps will increase as a result of expected increase of both price and output; and (iii) reasonable expected price range for the raw materials, products and services provided by the Group for the three years ending 31 December 2023.

Given that there is a long-term market gap in the demand of cobalt metal in PRC and considering the long-term and stable cooperation between the CNMC Group and the Group in terms of the copper and cobalt products and mutual familiarity with demands and quality requirements, the CNMC Group is inclined to choose the supply of cobalt metal products from the Group under the same conditions.

There is a significant decrease in the annual cap for the year ending 31 December 2021 as compared to the annual cap for the year ending 31 December 2020, which is due to the drop of the price of cobalt metal, the Group's by-product, and the Group's proposed reduction of the sales of cobalt metal, the by-product, to the CNMC Group.

### *Payment terms*

The payment terms will be agreed and detailed in the specific agreements.

In relation to procurement of raw materials and products from the CNMC Group, the payment terms are determined on a Cost, Insurance and Freight (CIF) basis and payment will be settled by wire transfer upon delivery.

In relation to supply of raw materials and products to the CNMC Group, as supply will be made within Zambia or the DRC so that there will not be any cross-border transaction, payment will be settled upon delivery.

---

## LETTER FROM THE BOARD

---

In relation to mutual supply of services, payment will be made in accordance with the service progress.

The Directors are of the view that such payment terms are in line with market practice and the payment terms with the Company's Independent Third Party customers.

*Reasons for and benefit of entering into the 2020 Mutual Supply Framework Agreement*

The Group has been procuring raw materials, products and services from the CNMC Group and will continue to obtain such raw materials, products and services from the CNMC Group for the business development of the Group. The Directors consider that 2020 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, leading to a reduction of the Group's production costs and further enhancement of 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.

The Group has been supplying raw materials, products and services to the CNMC Group and will continue to supply such raw materials, products and services to the CNMC Group for its business needs. The Directors consider that this is consistent with the business and commercial objectives of the Group as the supply of raw materials, products and services to CNMC Group can further enhance the business opportunities of the Group, broaden the revenue base of the Group and increase the capacity utilization level of the Group.

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, and expand its business reach and channels, thus enhancing the business opportunities of the Group.

---

## LETTER FROM THE BOARD

---

### *Listing Rules Implications*

As CNMC indirectly owns an aggregate of 74.52% of the issued share capital of the Company, CNMC is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2020 Mutual Supply Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios of the proposed annual caps in respect of the transactions contemplated under the 2020 Mutual Supply Framework Agreement exceed(s) 5%, such transactions and the proposed annual caps for such transactions for each of the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Directors' confirmation**

The 2020 Framework Agreements have been negotiated and agreed on an arm's length basis by and among the Company and CNMC. The Directors (including the independent non-executive Directors) are of the view that the 2020 Framework Agreements are entered into in the ordinary and usual course of business, on normal commercial terms and that the terms of the 2020 Framework Agreements and their respective proposed annual caps for such transactions for each of the three years ending 31 December 2023 are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Mr. Jinjun ZHANG (executive Director) and Mr. Xiaowei WANG (executive Director) are senior executives of CNMC, and have abstained from voting on the relevant resolutions approving the 2020 Framework Agreements and the transactions contemplated thereunder pursuant to the articles of association of the Company and the Listing Rules. Save as disclosed above, none of the Directors has a material interest in the transactions under the 2020 Framework Agreements or is required to abstain from voting on the relevant resolutions of the Board.

### **Approval by Independent Shareholders**

As CNMC indirectly owns an aggregate of 74.52% of the issued share capital of the Company through CNMD, CNMD and its associates will abstain from voting in relation to the resolutions approving the 2020 Framework Agreements (including the relevant proposed annual caps) at the EGM.

The Company will seek the Independent Shareholders' approval at the EGM for, among others, the 2020 Framework Agreements and the transactions contemplated thereunder (including the relevant proposed annual caps) on the condition that:

---

## LETTER FROM THE BOARD

---

1. the annual amount of the transactions contemplated under each of the 2020 Framework Agreements shall not exceed the relevant proposed annual caps;
2.
  - (i) the transactions contemplated under each of the 2020 Framework Agreements will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparison, on terms no less favourable than terms available to the Group from Independent Third Parties; and
  - (ii) the transactions contemplated under each of the 2020 Framework Agreements will be entered into in accordance with the 2020 Framework Agreements and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the Listing Rules in relation to each of the 2020 Framework Agreements.

### **Information about the Group and CNMC**

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

CNMC is administered by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and, together with its subsidiaries, is principally engaged in the development of nonferrous metal mineral resources, construction and engineering, as well as related trade and services.

## **(II) INTERNAL CONTROL MEASURES**

The Company has a comprehensive internal control system to ensure that the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable, and the Non-exempt Continuing Connected Transactions are conducted on normal commercial terms or better and in the ordinary course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Relevant internal control measures include:

- (i) The Company has designated the compliance committee of the Company (the "**Compliance Committee**") to continuously monitor the continuing connected transactions. The Compliance Committee continuously traces and regularly monitors the progress of the continuing connected transactions and reports to the management of the Company.



---

## LETTER FROM THE BOARD

---

- (ii) The Compliance Committee together with the finance department of the Company regularly monitors the actual amounts incurred for each type of continuing connected transactions for the purpose of ensuring the relevant annual caps are not exceeded.
- (iii) The internal control team of the Company and the Compliance Committee organize and run internal control tests regularly to evaluate the completeness and effectiveness of the internal control measures in relation to continuing connected transactions.
- (iv) The Board conducts annual review on the implementation of the continuing connected transactions and conducts review of financial statements which contain the disclosure of the continuing connected transactions every six months. The review mainly includes a review on whether the Company and the connected parties have fulfilled the terms of the agreements in relation to continuing connected transactions during the relevant year or six months and whether the actual transaction amounts incurred between the Company and the connected persons are within the annual caps approved by the Shareholders.
- (v) The internal control team of the Company collects and reviews the continuing connected transactions every month in order to guarantee (a) the connected parties have fulfilled the terms of the agreements in relation to continuing connected transactions during the relevant month; and (b) the actual transaction amounts incurred and estimated to be incurred between the Company and the connected parties are within the annual caps approved by the Shareholders.
- (vi) The independent non-executive Directors conduct annual review of the continuing connected transactions and provide annual confirmations in the Company's annual report on whether the continuing connected transactions are conducted (a) in the Company's ordinary course of business; (b) in accordance with normal commercial terms or better and on terms that are fair and reasonable; (c) in accordance with the terms of the relevant agreements; and (d) in the interests of the Company and the Shareholders as a whole.
- (vii) The audit committee of the Company conducts review of the annual financial statements, annual report, interim financial statements and interim report which contain the disclosure and analysis of the implementation of the continuing connected transactions and opine on the continuing connected transactions in such financial statements and reports, including whether the terms of the continuing connected transactions are fair and reasonable and whether the transaction amounts are within the relevant annual caps.

---

## LETTER FROM THE BOARD

---

- (viii) To assist the Company in complying with the applicable rules listed in Chapter 14A of the Listing Rules, the external auditor of the Company performs work in accordance with the regulations in the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to the Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants, on the Company’s continuing connected transactions and issues a letter in respect of the continuing connected transactions disclosed in the Company’s annual report in accordance with the applicable accounting standards and the Listing Rules.

### **B. CLOSURE OF REGISTER OF MEMBERS**

In order to ascertain the right to attend the EGM, the register of members of the Company will be closed from Friday, 11 December 2020 to Wednesday, 16 December 2020 (both dates inclusive), during which period no transfer of Shares will be registered. In order to be entitled to attend the EGM, all transfer forms completed 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 Thursday, 10 December 2020.

### **C. EGM**

A notice convening the EGM is set out on pages 52 to 54 of this circular at which the resolutions will be proposed to consider and, if thought fit, approve the renewal of the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps). The voting of the resolutions will be conducted by poll at the EGM as required under the Listing Rules.

A proxy form for use at the EGM 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 in Hong Kong) before the time designated for holding the EGM, if they do not intend to be present in person at the EGM.

---

## LETTER FROM THE BOARD

---

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66 of the Articles of Association, the resolutions will be put to the vote by poll. In the case of an equality of votes on a poll, the chairman shall, subject to 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](http://www.cnmcl.net) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) after the EGM.

As CNMC indirectly owns an aggregate of 74.52% of the issued share capital of the Company through CNMD, CNMD and its associates will abstain from voting in relation to the resolutions approving the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps) at the EGM. To the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder other than CNMD and its associates is required to abstain from voting at the EGM.

### **RECOMMENDATION OF THE BOARD**

The Directors are of the opinion that the terms of the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps) are on normal commercial terms or better and are fair and reasonable. They are also of the opinion that the Non-exempt Continuing Connected Transactions are in the interests of the Company and its 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 EGM.

### **RECOMMENDATION OF THE INDEPENDENT FINANCIAL ADVISER AND THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the terms of the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps), and Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

The Independent Financial Adviser considers the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps) are in the ordinary and usual course of business of the Group and the terms of the 2020 Framework Agreements entered into between the Company and CNMC are on normal commercial terms. Rainbow Capital also considers that the Proposed Caps and the terms of the 2020 Framework Agreements entered into between the Company and CNMC are fair and reasonable so far as the Independent Shareholders are concerned and that the entering into of the Non-exempt Continuing Connected Transactions 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 Rainbow Capital containing its recommendation in respect of the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps) is set out on pages 24 to 47 of this circular.

---

## LETTER FROM THE BOARD

---

The Independent Board Committee, having taken into account the advice of Rainbow Capital, considers the terms of the Non-exempt Continuing Connected Transactions (including the relevant Proposed 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 EGM to approve the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps). The full text of the letter from the Independent Board Committee is set out on page 23 of this circular.

Yours faithfully,

By Order of the Board

**China Nonferrous Mining Corporation Limited**

**Dayong YANG and Man Yi WONG**

*Joint Company Secretaries*



**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)

20 November 2020

*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 relevant Proposed Caps), details of which are set out in the letter from the Board contained in this circular issued by the Company to the Shareholders dated 20 November 2020, of which this letter forms part. We wish to draw your attention to the letter from Rainbow Capital as set out on pages 24 to 47 of this circular. Terms defined in this 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 relevant Proposed Caps), and the advice of Rainbow Capital in relation thereto as set out on pages 24 to 47 of this circular, we are of the view that the terms of the Non-exempt Continuing Connected Transactions (including the relevant Proposed 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 relevant Proposed Caps) are in the interests of the Company and its Shareholders as 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 resolution to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps).

Yours faithfully,

**China Nonferrous Mining Corporation Limited**  
**Chuanyao SUN    Jingwei LIU    Huanfei GUAN**  
*Independent Non-executive Directors*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps), which has been prepared for the purpose of incorporation of this circular.*



20 November 2020

*To: the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### **RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2021 TO 2023**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Non-exempt Continuing Connected Transactions under (i) the 2020 CNMC Copper Supply Framework Agreement in relation to the sale of copper products by the Group to the CNMC Group; and (ii) the 2020 Mutual Supply Framework Agreement in relation to the mutual provision of raw materials, products and services between the Group and the CNMC Group, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) of the circular to the Shareholders dated 20 November 2020 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in this Circular.

The 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement will expire on 31 December 2020. As the Company intends to continue to enter into transactions of a similar nature from time to time after 31 December 2020, on 30 October 2020, the Company and CNMC entered into the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement for a term of three years from 1 January 2021 to 31 December 2023.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As CNMC indirectly owned an aggregate of 74.52% of the issued share capital of the Company as at the Latest Practicable Date, CNMC is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios of the relevant Proposed Caps in respect of each of the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement exceed 5%, such transactions and the Proposed Caps for each of the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As CNMC indirectly owned an aggregate of 74.52% of the issued share capital of the Company through CNMD as at the Latest Practicable Date, CNMD and its associates will abstain from voting on the resolutions approving the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps) at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Chuanyao SUN, Mr. Jingwei LIU and Mr. Huanfei GUAN, has been formed to advise the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps) and how they should vote at the EGM. We, Rainbow Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and CNMC that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the proposed revision of the annual cap of certain continuing connected transactions, details of which are set out in the circular of the Company dated 26 May 2020. Other than that, there was no engagement or connection between the Group or CNMC and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we will receive any fees or benefits from the Group or CNMC. Accordingly, we are qualified to give independent advice in respect of the Non-exempt Continuing Connected Transactions (including the relevant Proposed Caps).

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in this Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in this Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in this Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in this Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of this Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, CNMC or their respective substantial shareholders, subsidiaries or associates.



---

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have taken into account the following principal factors and reasons:

### 1. Information on the Group

The Group is one of the leading vertically integrated copper producers principally engaged in mining, ore processing, leaching, smelting of copper and cobalt and sale of copper cathodes, blister copper, copper anodes, copper-cobalt alloy, cobaltous hydroxide and sulfuric acid, based in Zambia and the DRC. The businesses of the Group are principally carried out through (i) four subsidiaries located in Zambia, namely NFCA, CNMC Luanshya Copper Mines PLC, Chambishi Copper Smelter Limited and Sino-Metals Leach Zambia Limited; and (ii) four subsidiaries located in the DRC, namely Huachin Metal Leach SA (“**Huachin Leach**”), CNMC Huachin Mabende Mining SA (“**CNMC Huachin Mabende**”), Lualaba Copper Smelter SAS (“**Lualaba Copper Smelter**”) and Kambove Mining SAS (“**Kambove Mining**”).

As disclosed in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), production and sale of copper cathodes, blister copper and copper anodes in aggregate accounted for more than 90% of the Group’s total revenue in both 2018 and 2019. Customers of the Group include members of the CNMC Group, who purchases the Group’s copper products for onward sale to refineries in the PRC. As stated in the Letter from the Board, for the two years ended 31 December 2019 and the nine months ended 30 September 2020, sales volume of copper cathodes, blister copper and copper anodes to the CNMC Group represented approximately 47%, 49% and 49% of the Group’s total sales volume, respectively. The CNMC Group has been providing significant contribution to the revenue, profit and operating cash inflow of the Group.

### 2. Background of the CNMC Group

CNMC is the ultimate controlling shareholder of the Company, and is administered by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The CNMC Group is principally engaged in the development of nonferrous metal resources, construction and engineering, as well as related trade and services. CNMC has been listed as one of the “Fortune Global 500” enterprises published by the Fortune Magazine since 2013. 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, expand its business reach and channels, thus enhancing the business opportunities of the Group.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 3. Background of and reasons for the Non-exempt Continuing Connected Transactions

#### *(i) 2020 CNMC Copper Supply Framework Agreement*

The Group has been selling copper products to the CNMC Group and will continue to supply such products to the CNMC Group for its business needs. As disclosed in the Letter from the Board, the 2020 CNMC Copper Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the sales of copper products to the CNMC Group can further enhance the business opportunities of the Group, broaden the revenue base of the Group and increase the capacity utilization level of the Group.

Since the 2017 CNMC Copper Supply Framework Agreement will expire by 31 December 2020, the Company considers that the 2017 CNMC Copper Supply Framework Agreement should be renewed for its ordinary and usual course of business. Accordingly, on 30 October 2020, the 2020 CNMC Copper Supply Framework Agreement was entered into between the Company and CNMC to continue the existing arrangement for the coming three years ending 31 December 2023.

#### *(ii) 2020 Mutual Supply Framework Agreement*

The Group has been procuring raw materials, products and services from the CNMC Group and will continue to obtain such raw materials, products and services from the CNMC Group for the business development of the Group. As disclosed in the Letter from Board, the 2020 Mutual Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the raw materials and products supplied by the CNMC Group are in close proximity to the production facilities of the Group, reducing the Group's production costs and further enhancing the profitability of the Group's operations and the services provided by the CNMC Group can supplement the Group's operation capacity, resulting in a better manpower management.

The Group has been supplying raw materials, products and services to the CNMC Group and will continue to supply such raw materials, products and services to the CNMC Group for its business needs. As disclosed in the Letter from Board, this is consistent with the business and commercial objectives of the Group as the supply of raw materials, products and services to the CNMC Group can further enhance the business opportunities of the Group, broaden the revenue base of the Group and increase the capacity utilization level of the Group.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Since the 2017 Mutual Supply Framework Agreement will expire by 31 December 2020, the Company considers that the 2020 Mutual Supply Framework Agreement should be renewed for its ordinary and usual course of business. Accordingly, on 30 October 2020, the 2020 Mutual Supply Framework Agreement was entered into between the Company and CNMC to continue the existing arrangement for the coming three years ending 31 December 2023.

#### 4. Principal terms of the Non-exempt Continuing Connected Transactions

On 30 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement with CNMC (for itself and on behalf of its subsidiaries) for a term of three years from 1 January 2021 to 31 December 2023.

The 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement shall take effect upon the approval of the relevant framework agreements and the Proposed Caps having been obtained from the Independent Shareholders at the EGM.

Pursuant to the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement, the parties may enter into specific agreements from time to time in respect of the sale/purchase of goods and provision and/or receipt of the relevant services to/from the relevant party.

Details of the terms of the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement are set out in the Letter from the Board, which are summarized as follows:

##### *(i) 2020 CNMC Copper Supply Framework Agreement*

Nature : The Company agreed to sell, or procure its subsidiaries to sell, copper products including blister copper and copper cathodes to the CNMC Group.

The quantity of each type of copper products to be sold to the CNMC Group is not fixed but is to be determined and agreed between the parties from time to time.

The Company is not required to sell a minimum amount or any particular type of copper products to the CNMC Group during the term of the 2020 CNMC Copper Supply Framework Agreement.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Pricing basis : The consideration for sale of copper products will be determined with reference to the prevailing market price of the copper products at the time of each specific agreement to be entered into pursuant to the 2020 CNMC Copper Supply Framework Agreement. Such market price refers to (in order of sequence):

- (a) the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange; or
- (b) the monthly moving average price or the monthly average settlement price of copper quoted on the Shanghai Futures Exchange; or
- (c) when the market price of copper products could not be adequately reflected through (a) and (b) at the place of sale or the receiving market, the price reasonably determined by both parties after making reference to the monthly average selling price of copper at the place of sale or the receiving market. Such price will be determined by making reference to the selling price charged by other renowned mining companies at the place of sale or receiving market, and a recognized copper stock index that is comparable to the London Metal Exchange or the Shanghai Futures Exchange, such as Tianjin Precious Metals Exchange or COMEX.

The Group has not encountered in the past the situation when the quoted price of London Metal Exchange and/or the Shanghai Futures Exchange cannot reflect the local market price.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Payment terms : The payment terms will be agreed and detailed in the specific agreements.

The payment terms are determined on a Free Carrier (FCA) basis (that is, the Group is required to deliver the copper products to the carrier at the Group's plants and the transportation cost and risks are transferred to the CNMC Group after delivery to the carrier).

The CNMC Group will make advance payment for a portion of copper products and the remaining balance will be paid by wire transfer.

We have obtained and reviewed sample copper sale agreements entered into between the Group and each of (a) the CNMC Group (the "**CNMC Copper Sale Contracts**"); and (b) other Independent Third Parties (the "**Independent Copper Sale Contracts**") for each of the two years ended 31 December 2019 and the six months ended 30 June 2020, and noted that (a) the prices for sale of copper products were generally determined with reference to the average settlement prices of copper quoted on the London Metal Exchange; and (b) the terms of the CNMC Copper Sale Contracts (including payment terms) are generally better than or comparable to those of the Independent Copper Sale Contracts. As such, we consider that the terms of the 2020 CNMC Copper Supply Framework Agreement are on normal commercial terms which are fair and reasonable.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*(ii) 2020 Mutual Supply Framework Agreement*

- Nature : (a) Both parties agreed to provide, or procure their respective subsidiaries to provide the following to each other:
- (1) raw material and products 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;
  - (2) 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
  - (3) 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.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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 third parties.

Each party is entitled to obtain the relevant raw materials, products and services from Independent Third Parties if the other party cannot satisfy its requirements for such raw materials, products and services or the terms offered by Independent Third Parties are more favourable.

If the Group cannot conveniently obtain the relevant raw materials, products and services from a third party, CNMC will continue to provide such raw materials, products and services to the Group under any circumstances.

- Pricing basis :
- (a) 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;
  - (b) 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;

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- (c) 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 are 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; and
  
- (d) For the provision of “transportation and logistics services”, the price 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 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.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Payment terms : The payment terms will be agreed and detailed in the specific agreements.

- (a) In relation to procurement of raw materials and products from the CNMC Group, the payment terms are determined on a Cost, Insurance and Freight (CIF) basis and payment will be settled by wire transfer upon delivery;
- (b) In relation to supply of raw materials and products to the CNMC Group, as supply will be made within Zambia or the DRC so that there will not be any cross-border transaction, payment will be settled upon delivery; and
- (c) In relation to mutual supply of services, payment will be made in accordance with the service progress.

We have obtained and reviewed sample contracts in relation to the mutual supply of raw materials, products and services between the Group and the CNMC Group, and compared them with sample contracts for similar goods and services between the Group and other Independent Third Parties, for each of the two years ended 31 December 2019 and the six months ended 30 June 2020. We noted that the terms of the sample contracts with the CNMC Group and other Independent Third Parties are generally comparable to each other.

As disclosed in the 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 independent 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.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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 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 2020 Mutual Supply Framework Agreement.

As for the pricing basis of actual costs plus applicable taxes, in assessing whether this pricing basis is beneficial to the Group as a whole, we have reviewed the actual transaction amounts of the mutual supply of raw materials, products and services between the Group and the CNMC Group for the two years ended 31 December 2019 and the six months ended 30 June 2020 as disclosed in the 2019 Annual Report and the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”) and noted that the transaction amounts for the procurement of raw materials, products and services from the CNMC Group were substantially larger than those for the supply of raw materials, products and services to the CNMC Group. On this basis, we concur with the Directors that the Group will benefit from this pricing arrangement.

On the above bases, we consider that the terms of the 2020 Mutual Supply Framework Agreement are on normal commercial terms which are fair and reasonable.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 5. Proposed Caps of the Non-exempt Continuing Connected Transactions

#### (i) 2020 CNMC Copper Supply Framework Agreement

##### *Historical transaction amounts*

Set out below is the historical transaction amounts of the transactions under the 2017 CNMC Copper Supply Framework Agreement for the two years ended 31 December 2019 and the nine months ended 30 September 2020:

	For the year ended		For the nine	For the year	Compound
	31 December		months ended	ending	annual growth
	2018	2019	30 September	31 December	rate ("CAGR")
			2020	2020	2018-2020
Sales of copper products by the Group to the CNMC Group <i>(in US\$'000) (A)</i>	878,246	915,961	808,818	1,078,424	10.8%
– Sales volume <i>(in tonnes) (B)</i>	149,030	166,531	144,946	193,261	13.9%
– Average selling price <i>(in US\$ per tonne) (A/B)</i>	5,893	5,500	5,580	5,580	(2.7%)

*(Note)*

*Note:* Represented the annualized amounts based on the actual amounts for the nine months ended 30 September 2020

As shown in the table above, sales of copper products by the Group to the CNMC Group increased from approximately US\$878.2 million for the year ended 31 December 2018 to approximately US\$1,078.4 million for the year ending 31 December 2020, representing a CAGR of approximately 10.8%. Notwithstanding the decrease in average selling price, sales volume to the CNMC Group increased significantly at a CAGR of approximately 13.9% from approximately 149,030 tonnes for the year ended 31 December 2018 to approximately 193,261 tonnes for the year ending 31 December 2020.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Proposed annual caps*

Set out below is the proposed annual caps for the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2023:

	For the year ending 31 December				CAGR
	2020	2021	2022	2023	2020-2023
Sales of copper products by the Group to the CNMC Group <i>(in US\$'000) (A)</i>	1,078,424	1,904,400	2,179,700	2,210,400	27.0%
– Sales volume <i>(in tonnes) (B)</i>	193,261	276,000	307,000	307,000	16.7%
– Average selling price <i>(in US\$ per tonne) (A/B)</i>	5,580	6,900	7,100	7,200	8.9%

As set out in the Letter from the Board, the proposed annual caps for the three years ending 31 December 2023 under the 2020 CNMC Copper Supply Framework Agreement were determined by reference to, among other things, (a) historical transaction amounts and volumes; (b) the Group's estimated copper production capacity and volume; (c) estimated growth in the demand for copper products by the CNMC Group from the Group; and (d) reasonable expected price range for the copper products provided by the Group for the three years ending 31 December 2023.

In assessing the fairness and reasonableness of the proposed annual caps above, we have considered (a) the Group's current development projects; (b) the Group's historical sales volume of copper products with the CNMC Group; and (c) the forecasted copper prices in each of the three years ending 31 December 2023 made by a number of firms in the last six months prior to the Latest Practicable Date as disclosed in the Bloomberg.

As disclosed in the 2020 Interim Report, some of the Group's existing projects will bring new growth points for the development of the Group, in particular the followings (collectively, the "**Projects**"):

- (a) the Integrated Exploration and Construction Project of the Chambishi Southeast Mine of NFCA has been officially put into production since 1 July 2020, with a designed ore processing capacity of 3,300,000 tonnes per annum and a designed capacity of 58,900 tonnes per annum of copper contained in copper concentrates;

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- (b) the Copper Concentrates Smelting Project of Lualaba Copper Smelter has been officially put into production since 1 May 2020, with designed annual capacity of 118,800 tonnes of blister copper, 240,000 tonnes of sulfuric acid, 30,000 tonnes of liquid sulfur dioxide and 11,000 tonnes of copper-cobalt alloy;
- (c) the yield of the Copper-Cobalt Reconstruction and Expansion Project of Huachin Leach has reached its designed annual production capacity of 20,000 tonnes of copper cathodes and 2,000 tonnes of cobalt;
- (d) the Copper Cathodes Reconstruction and Expansion Project of CNMC Huachin Mabende has commenced its trial operation, with a designed annual production capacity of 45,000 tonnes of copper cathodes; and
- (e) the Integrated Exploration and Construction Project of Kambove Mining has been in construction stage, with a designed annual capacity of 990,000 tonnes of ores, 28,000 tonnes of copper cathodes and 978 tonnes of cobalt contained in crude cobaltous hydroxide, and is expected to commence commercial production in 2021.

Taking into account (a) the growth in production volume of the Group following completion of the Projects; and (b) that sales volume to the CNMC Group increased significantly at a CAGR of approximately 13.9% from approximately 149,030 tonnes for the year ended 31 December 2018 to approximately 193,261 tonnes for the year ending 31 December 2020 as mentioned above, we consider that the growth in sales volume to the CNMC Group at a CAGR of approximately 16.7% from approximately 193,261 tonnes for the year ending 31 December 2020 to approximately 307,000 tonnes for the year ending 31 December 2023 is justifiable.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In estimating the proposed annual caps for the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2023, the copper price is forecasted to be approximately US\$6,900 per tonne in 2021, US\$7,100 per tonne in 2022 and US\$7,200 per tonne in 2023. In assessing the fairness and reasonableness of the aforesaid forecasted copper prices, we have considered the forecasts (the “**Forecasts**”) made by ten firms including international banking groups and research companies in the last six months prior to the Latest Practicable Date as obtained from Bloomberg using the commodity price forecast function, details of which are set out as follows:

Name of firm	As of	2021	2022	2023
		<i>US\$ per tonne</i>		
Citigroup Inc.	2 November 2020	6,900.00	–	–
Commerzbank AG	22 October 2020	6,450.00	–	–
Intesa Sanpaolo SpA	20 October 2020	7,000.00	7,150.00	7,250.00
Westpac Banking Corp	16 October 2020	6,648.79	6,648.79	7,138.62
Fitch Solutions	12 October 2020	6,300.00	6,300.00	6,500.00
Capital Economics Ltd.	9 October 2020	6,900.00	6,800.00	–
Market Risk Advisory Co. Ltd.	5 October 2020	6,425.00	6,550.00	6,700.00
Emirates NBD PJSC	23 September 2020	6,462.50	–	–
Societe Generale SA	9 June 2020	5,700.00	6,200.00	–
Natixis SA	22 May 2020	5,817.50	–	–
<b>Average (A)</b>		<b>6,460.38</b>	<b>6,608.13</b>	<b>6,897.16</b>
<b>Buffer (B)</b>		6.80%	7.44%	4.39%
<b>Forecasted copper prices</b>				
<b>in the proposed annual caps</b>				
<b>(A x (1+B))</b>		<b>6,900.00</b>	<b>7,100.00</b>	<b>7,200.00</b>

*Source: Bloomberg*

As shown above, the averages of the forecasted copper prices in the Forecasts are approximately US\$6,460.38, US\$6,608.13 and US\$6,897.16 per tonne in 2021, 2022 and 2023, respectively. The Directors are of the view that, in estimating the copper prices for setting the foregoing annual caps, a certain degree of flexibility is required to tailor for unexpected fluctuations in international copper price in the coming three years. As such, we consider the projected copper prices in estimating the proposed annual caps to be fair and reasonable.

Based on the above analysis, we are of the view that the proposed annual caps for the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2023 are fair and reasonable.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

**(ii) 2020 Mutual Supply Framework Agreement**

*Historical transaction amounts*

Set out below is the historical transaction amounts of the transactions under the 2017 Mutual Supply Framework Agreement for the two years ended 31 December 2019 and the nine months ended 30 September 2020:

	<b>For the year ended</b>		<b>For the nine</b>	<b>For the year</b>
	<b>31 December</b>		<b>months ended</b>	<b>ending</b>
	<b>2018</b>	<b>2019</b>	<b>30 September</b>	<b>31 December</b>
			<b>2020</b>	<b>2020</b>
Procurement of raw materials, products and services from the CNMC Group <i>(in US\$)</i>	346,995,000	321,378,000	143,957,226	191,942,968
Supply of raw materials, products and services to the CNMC Group <i>(in US\$)</i>	15,912,000	35,305,000	38,806,678	51,742,237

*Note:* Represented the annualized amounts based on the actual amounts for the nine months ended 30 September 2020

As shown in the table above, for the two years ended 31 December 2019 and the nine months ended 30 September 2020, the Group procured raw materials, products and services from the CNMC Group in the amount of approximately US\$347.0 million, US\$321.4 million and US\$144.0 million, whereas the Group supplied raw materials, products and services to the CNMC Group in the amount of approximately US\$15.9 million, US\$35.3 million and US\$38.8 million, respectively.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Proposed annual caps*

Set out below is the proposed annual caps for the transactions contemplated under the 2020 Mutual Supply Framework Agreement for the three years ending 31 December 2023:

	2021	2022	2023	CAGR 2021-2023
Procurement of raw materials, products and services from the CNMC Group <i>(in US\$)</i>	357,921,851	420,847,952	413,906,538	7.5%
Supply of raw materials, products and services to the CNMC Group <i>(in US\$)</i>	122,957,000	165,521,800	233,285,000	37.7%

(a) Procurement of raw materials, products and services from the CNMC Group

As set out in the Letter from the Board, the proposed annual caps for the procurement of raw materials, products and services by the Group from the CNMC Group under the 2020 Mutual Supply Framework Agreement were determined by reference to, among other things, (1) historical transaction values and volume; (2) estimated demand for raw materials, products and services by the Group which was driven by (a) completion of some of the Group's projects, in particular the Projects; and (b) construction plans of the Group's future projects for the three years ending 31 December 2023; and (3) reasonable expected price range for the raw materials, products and services provided by the CNMC Group for the three years ending 31 December 2023.

In estimating the above proposed annual caps, the Group has considered its various development and expansion projects for which it plans to procure raw materials, products and services from the CNMC Group, taking into account factors such as progress, nature, products and services as well as types of service providers required for each project.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In assessing the fairness and reasonableness of the above proposed annual caps, we have reviewed (1) the development progress of the Group's existing projects as disclosed in the 2020 Interim Report; (2) the Group's development plan as advised by the management of the Group; (3) the working schedule for setting the proposed annual caps with reference to the development needs of the Group's projects; and (4) the historical transaction amounts for the procurement of raw materials, products and services by the Group from the CNMC Group for the two years ended 31 December 2019 and the nine months ended 30 September 2020, and discussed with the management of the Group regarding the bases of the calculation and the factors contributing to the fixing of the proposed annual caps. Given that the proposed annual caps are arrived at based on the Group's development plan, its expected demand from the CNMC Group and the expected price range for the raw materials, products and services provided by the CNMC Group, we consider the bases and factors in determining the proposed annual caps to be reasonable.

Based on the aforesaid review and discussion with the management of the Group, we noted that (1) the proposed annual caps have taken into account the demand from all the Company's operating subsidiaries, comprising the four subsidiaries located in Zambia and the four subsidiaries located in the DRC, in the ordinary and usual course of business; (2) the demand for raw materials, products and services from the CNMC Group would be further driven by (i) completion of certain of the Group's projects, in particular the Projects; (ii) NFCA's plan to construct a cobalt recovery project in 2022; (iii) the construction of the second phase of the project of Lualaba Copper Smelter which is expected to commence in 2022; and (iv) Kambove Mining's plan to commence commercial production in 2021; and (3) the Group plans to procure a majority of the required raw materials, products and services from the CNMC Group for its operation and development, reasons for and benefit of which are further set out below. As such, we consider the setting of the proposed annual caps with a growth from the actual transaction amounts for the two years ended 31 December 2019 and the nine months ended 30 September 2020 to be fair and reasonable.

As disclosed in the Letter from the Board, the raw materials and products to be procured from the CNMC Group are in close proximity to the production facilities of the Group and as a result, the Group's production costs can be reduced and the profitability of the Group's operation can be further enhanced. On the other hand, the services to be provided by the CNMC Group can supplement the Group's operation capacity and allow the Group to maintain a better manpower arrangement. Moreover, procurement from the CNMC Group can allow the Group to reduce costs through bulk purchase. On the above bases, we consider it reasonable for the Group to procure a majority of the required raw materials, products and services from the CNMC Group for its operation and development.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

(b) Supply of raw materials, products and services to the CNMC Group

As set out in the Letter from the Board, the proposed annual caps for the supply of raw materials, products and services by the Group to the CNMC Group under the 2020 Mutual Supply Framework Agreement were determined by reference to, among other things, (1) historical transaction values and volume; (2) estimated growth in the demand for raw materials, products and services by the CNMC Group mainly consisting of cobalt products; and (3) reasonable expected price range for the raw materials, products and services provided by the Group for the three years ending 31 December 2023. The Company estimates that for the three years ending 31 December 2023, the price of cobalt metal will rise to US\$35,000, US\$42,000 and US\$50,000 per tonne, respectively, and the Company expects that the output of cobalt metal in 2022 and 2023 will grow steadily. As such, the relevant proposed annual caps will increase as a result of expected increase of both price and output.

As advised by the management of the Group, the significant growth in the proposed annual caps as compared with the actual transaction amounts for the two years ended 31 December 2019 and the nine months ended 30 September 2020 was primarily attributable to the expected significant increase in sales of cobalt metal and sulfuric acid, being by-products of the Group, to the CNMC Group in the coming three years given the increase in the Group's production volume of relevant products. As disclosed in the Letter from the Board, given that there is a long-term market gap in the demand of cobalt metal in PRC and considering the long-term and stable cooperation between the CNMC Group and the Group in terms of the copper and cobalt products and mutual familiarity with demands and quality requirements, the CNMC Group is inclined to choose the supply of cobalt metal products from the Group under the same conditions.

In assessing the fairness and reasonableness of the above proposed annual caps, we have reviewed (1) the development progress of the Group's existing projects, in particular the Projects, as disclosed in the 2020 Interim Report; (2) the working schedule for setting the proposed annual caps with reference to the development progress of the Group's existing projects; (3) the forecasted cobalt prices as disclosed in Bloomberg and the current price of sulfuric acid; and (4) the revenue generated from sales of cobalt hydroxides to the CNMC Group for the six months ended 30 June 2020, and noted that (1) the Copper-Cobalt Reconstruction and Expansion Project of Huachin Leach has been put into operation as at 30 June 2020 and reached its designed annual production capacity of, among other things, 2,000 tonnes of cobalt contained in cobalt hydroxides; (2) the Copper Concentrates Smelting Project of Lualaba Copper

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Smelter has been officially put into production since 1 May 2020, with designed annual capacity of, among other things, 240,000 tonnes of sulfuric acid, 30,000 tonnes of liquid sulfur dioxide and 11,000 tonnes of copper-cobalt alloy; (3) the Integrated Exploration and Construction Project of Kambove Mining, which is expected to commence commercial production in 2021, has a designed annual capacity of, among other things, 978 tonnes of cobalt contained in crude cobaltous hydroxide; (4) most of the cobalt products to be sold to the CNMC Group under the 2020 Mutual Supply Framework Agreement are expected to be cobalt contained in cobaltous hydroxides and cobalt contained in crude cobaltous hydroxide (the “**Cobalt Products**”); (5) the CNMC Group’s future demand for the Cobalt Products is expected to grow steadily, which shall be in line with the production capacity of the Group, as advised by the management of the Group; (6) the Company sold cobalt hydroxides to the CNMC Group only for the six months ended 30 June 2020; (7) the CNMC Group is inclined to choose the supply of cobalt metal products from the Group; and (8) the estimated prices of cobalt metal are determined with reference to the consensus forecast in Bloomberg with a certain buffer built in to tailor for any unexpected business growth.

In view of (i) the expected increase in production volume of cobalt metal and sulfuric acid from the aforesaid projects; (ii) the CNMC Group is inclined to purchase cobalt metal products from the Group; and (iii) the prices of cobalt metal for the three years ending 31 December 2023 are estimated with reference to the consensus forecast in Bloomberg, we consider the proposed annual caps to be fair and reasonable.

Generally speaking, in our opinion, it is in the interests of the Group for the Proposed Caps to be as accommodating to the Group as possible. Provided that the terms of the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement are fair and reasonable and the conduct of these transactions are subject to annual review by the independent non-executive Directors and auditors of the Company as required under the Listing Rules, the Group would have flexibility in conducting and expanding its businesses if the Proposed Caps are tailored to future business growth. In assessing the fairness and reasonableness of the Proposed Caps, we have discussed with the management of the Group the bases of the calculation and the factors contributing to the fixing of the Proposed Caps. Given that the Proposed Caps are arrived at based on the expected production volume of the Group determined with reference to the development progress of its existing projects and the expected prices of goods and services to be provided by the Group and the CNMC Group, we consider the bases and factors in determining the Proposed Caps to be reasonable.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 6. Reporting requirements and conditions of the Non-exempt Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Non-exempt Continuing Connected Transactions are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the Non-exempt Continuing Connected Transactions and confirm in the annual report and accounts that the Non-exempt Continuing Connected Transactions have been entered into:
  - (a) in the ordinary and usual course of business of the Group;
  - (b) on normal commercial terms or better; and
  - (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
  
- (ii) the Company must engage its auditors to report on the Non-exempt Continuing Connected Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Non-exempt Continuing Connected Transactions:
  - (a) have not been approved by the Board;
  - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the Non-exempt Continuing Connected Transactions involve the provision of goods or services by the Group;
  - (c) were not entered into, in all material respects, in accordance with the relevant agreements governing the Non-exempt Continuing Connected Transactions; and
  - (d) have exceeded the Proposed Caps;

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- (iii) the Company must allow, and ensure that the counter-parties to the Non-exempt Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Non-exempt Continuing Connected Transactions as set out in paragraph (ii); and
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the Non-exempt Continuing Connected Transactions, in particular, (i) the restriction of the value of the Non-exempt Continuing Connected Transactions by way of the Proposed Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms and the Proposed Caps not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the transactions and assist to safeguard the interests of the Independent Shareholders.

### OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms which are 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 Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions (including the Proposed Caps).

Yours faithfully,  
For and on behalf of  
**Rainbow Capital (HK) Limited**  
**Larry CHOI**  
*Managing Director*

*Mr. Larry CHOI is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the 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; 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:

<b>Substantial Shareholder</b>	<b>Capacity/ Nature of Interest</b>	<b>Long/Short Position</b>	<b>Number of Shares</b>	<b>Approximate Percentage of Shareholdings</b>
CNMD ( <i>Note</i> )	Registered owner	Long position	2,600,000,000	74.52%
CNMC	Interest in a controlled corporation	Long position	2,600,000,000	74.52%

*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. PROFESSIONAL QUALIFICATIONS AND CONSENTS

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

Name	Qualifications
Rainbow Capital (HK) Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

- (a) As at the Latest Practicable Date, Rainbow 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 2019, 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) Rainbow 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.

#### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2019, 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 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) No Director 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 2019, 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 of 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 AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on Monday to Friday (other than public holidays in Hong Kong) at Unit 1303, 13/F, Austin Tower, 22-26 Austin Avenue, Tsimshatsui, Kowloon, Hong Kong, from the date of this circular up to and including 16 December 2020:

- (a) the 2020 Framework Agreements entered into between the Company and CNMC;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 23 of this circular;
- (c) the letter of advice issued by Rainbow Capital, the text of which is set out on pages 24 to 47 of this circular; and
- (d) the written consent referred to in paragraph 4 of this appendix.

---

## NOTICE OF EGM

---



# 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 EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of China Nonferrous Mining Corporation Limited (the “Company”) will be held at Conference Room 619, 6/F, South Tower, CNMC Building, No. 10 Anding Road, Chaoyang District, Beijing, The People’s Republic of China on Wednesday, 16 December 2020 at 2:30 p.m. for the following purposes:

#### AS ORDINARY RESOLUTIONS

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

1. “**THAT**

- (i) the framework agreement dated 30 October 2020 between the Company and China Nonferrous Metal Mining (Group) Co, Ltd (“CNMC”) in relation to the sale of copper products to CNMC and its subsidiaries (the “**2020 CNMC Copper Supply Framework Agreement**”) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the maximum limit of the amount involved under the 2020 CNMC Copper Supply Framework Agreement for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed US\$1,904,400,000, US\$2,179,700,000 and US\$2,210,400,000, respectively; and
- (iii) 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 2020 CNMC Copper Supply Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the 2020 CNMC Copper Supply Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company.”

---

## NOTICE OF EGM

---

2. **“THAT**

- (i) the framework agreement dated 30 October 2020 between the Company and CNMC in relation to the mutual provision of raw materials, products and services (the “**2020 Mutual Supply Framework Agreement**”) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the maximum limit of the amount involved under the 2020 Mutual Supply Framework Agreement in connection with the procurement of raw materials, products and services from CNMC and its subsidiaries for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed US\$357,921,851, US\$420,847,952 and US\$413,906,538, respectively;
- (iii) the maximum limit of the amount involved under the 2020 Mutual Supply Framework Agreement in connection with the supply of raw materials, products and services to CNMC and its subsidiaries for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed US\$122,957,000, US\$165,521,800 and US\$233,285,000, respectively; and
- (iv) 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 2020 Mutual Supply Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the 2020 Mutual Supply 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**  
**Dayong YANG and Man Yi WONG**  
*Joint Company Secretaries*

20 November 2020

---

## NOTICE OF EGM

---

*Notes:*

1. Persons who hold shares of the Company and whose names appear on the register of members as at close of business on Thursday, 10 December 2020 shall be entitled to attend the EGM.
2. A member of the Company entitled to attend and vote at the EGM 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 EGM, 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 in Hong Kong) before the time for the holding of the EGM.
4. Completion and delivery of the form of proxy should not preclude a member from attending and voting in person at the EGM 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 Friday, 11 December 2020 to Wednesday, 16 December 2020, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend the EGM, all transfer forms 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, Hong Kong, not later than 4:30 p.m. on Thursday, 10 December 2020.
6. Members who have any queries concerning the meeting arrangements, please call the Company at +852 2797 2777 or +86 10 8442 6373 during business hours from 9:00 a.m. to 5:00 p.m. on Mondays to Fridays, excluding public holidays.
7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
8. As at the date of this notice, the Board comprises Mr. Jinjun ZHANG, Mr. Xiaowei WANG, and Mr. Chunlai WANG, as executive Directors; and Mr. Chuanyao SUN, Mr. Jingwei LIU and Mr. Huanfei GUAN as independent non-executive Directors.