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

If you have sold or transferred all your shares in **Jiangxi Copper Company Limited**, you should at once hand this circular and the accompanying form of proxy and reply slip to the purchaser(s) or the transferee(s) or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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江西銅業股份有限公司 JIANGXI COPPER COMPANY LIMITED

(a Sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 0358)

CONTINUING CONNECTED TRANSACTIONS, CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



**Lego Corporate
Finance Limited**
力高企業融資有限公司

A letter from the Board is set out on pages 1 to 33 of this circular. A letter from the Independent Board Committee is set out on page 34 of this circular. A letter from Lego Corporate Finance Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 76 of this circular.

A notice convening the EGM of the Company to be held at the Conference Room of the Company at JCC International Plaza, 7666, Chang Dong Avenue, High-tech Development Zone, Nanchang, Jiangxi, the PRC at 2:30 p.m. on Monday, 7 December 2020, is set out on pages 80 to 82 of this circular.

If you intend to attend the EGM, please complete and return the reply slip enclosed in this circular in accordance with the instructions printed thereon to the Secretariat of the Board at 3rd Floor, JCC International Plaza, 7666 Chang Dong Avenue, High-tech Development Zone, Nanchang, Jiangxi, the PRC (Postal Code: 330096) as soon as possible and in any event by not later than Friday, 27 November 2020. The reply slip may be delivered to the Company by hand, by post or by fax (at fax no.: (86) 791-8271 0114).

Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's H Share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

10 November 2020

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DEFINITIONS

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

“2017 Agreements”	the 2017 Consolidated Supply and Services Agreement I, the 2017 Consolidated Supply and Services Agreement II and the 2017 Land Use Rights Leasing Agreement
“2017 Announcement”	announcement of the Company dated 29 August 2017
“2017 Circular”	circular of the Company dated 8 December 2017
“2017 Consolidated Supply and Services Agreement I”	the consolidated supply and services agreement I dated 29 August 2017 entered into between JCC and the Company for, among others, the supply of various materials and provision of consolidated services by the JCC Group to the Group
“2017 Consolidated Supply and Services Agreement II”	the consolidated supply and services agreement II dated 29 August 2017 entered into between JCC and the Company for, among others, the supply of various materials and provision of consolidated services by the Company to the JCC Group
“2017 Land Use Rights Leasing Agreement”	the leasing agreement dated 29 August 2017 entered into between the Company and JCC in respect of leasing of the land use rights of the Land
“A Shares”	Renminbi-denominated domestic shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“Agreement 1”	the consolidated supply and services agreement I dated 27 September 2020 entered into between JCC and the Company for, among others, the supply of various materials and provision of consolidated services by the JCC Group to the Group
“Agreement 2”	the consolidated supply and services agreement II dated 27 September 2020 entered into between JCC and the Company for, among others, the supply of various materials and provision of consolidated services by the Company to the JCC Group
“Agreements”	Agreement 1, Agreement 2 and Land Use Rights Leasing Agreement

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Blister Copper”	copper which has been cast after passing through a converter. Blister copper is approximately 98.5% copper and takes its name from “blisters” that form on the surface
“Board”	the board of Directors
“Company”	Jiangxi Copper Company Limited, a Sino-foreign joint venture joint stock limited company incorporated in the PRC
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	those continuing connected transactions contemplated under the Agreement 1 and Agreement 2
“Copper Cathode”	copper sheet which contains 99.9% and above copper produced by either an electrolytic refining process or by electrowinning
“Copper Concentrate”	a product of the concentrator usually containing 20% to 30% copper, which is a raw material for smelting
“Directors”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held at the Conference Room of the Company at JCC International Plaza, 7666, Chang Dong Avenue, High-tech Development Zone, Nanchang, Jiangxi, the PRC at 2:30 p.m. on Monday, 7 December 2020 to consider, among others, the ordinary resolutions to be proposed to approve the Agreements and the Proposed Caps
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars

DEFINITIONS

“IFRS 16”	the International Financial Reporting Standards 16 “Leases”
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders on the Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than JCC and its associates
“Independent Third Party(ies)”	party(ies) who and whose ultimate beneficial owners are third parties independent of the Group and its connected persons
“JCC”	Jiangxi Copper Corporation Limited (formerly known as Jiangxi Copper Corporation), a substantial shareholder of the Company, holding approximately 43.72% of the total issued share capital of the Company as at the Latest Practicable Date
“JCC Group”	JCC and its subsidiaries (other than the Group) from time to time
“Land”	lands covering an area of approximately 50,841,612.77 square meters situated in Jiangxi
“Land Use Rights Leasing Agreement”	the land use rights leasing agreement dated 27 September 2020 entered into between the Company and JCC in respect of leasing of the land use rights of the Land
“Latest Practicable Date”	3 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Lego” or “Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LME”	London Metal Exchange

DEFINITIONS

“Percentage Ratios”	the applicable percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“Proposed Cap(s)”	the proposed maximum annual aggregate value(s) for the Continuing Connected Transactions contemplated under Agreement 1 and Agreement 2
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	the A Shares and/or the H Shares
“Shareholder(s)”	the holder(s) of the Shares
“SSE Listing Rules”	the rules governing the listing of securities on the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisors”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“USD”	US dollars, the lawful currency of the United States of America

Translation of Renminbi into Hong Kong dollars is based on the exchange rate of RMB0.87896 = HK\$1 and translation of Renminbi into USD is based on the exchange rate of RMB6.7 = USD1.

LETTER FROM THE BOARD



江西銅業股份有限公司 JIANGXI COPPER COMPANY LIMITED

(a Sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 0358)

Board of Directors

Executive Directors:

Mr. Zheng Gaoqing (*Chairman*)

Mr. Wang Bo

Mr. Gao Jianmin

Mr. Liang Qing

Mr. Liu Fangyun

Mr. Yu Tong

Independent Non-executive Directors:

Mr. Tu Shutian

Mr. Liu Erh Fei

Mr. Liu Xike

Mr. Zhu Xingwen

Legal address:

15 Yejin Avenue

Guixi City

Jiangxi

The People's Republic of China

Place of business in Hong Kong:

Suite 4501, 45th Floor

Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

10 November 2020

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS, CONNECTED TRANSACTION AND NOTICE OF EGM

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the announcement of the Company dated 27 September 2020 in respect of the Agreements. As the 2017 Agreements and their respective annual caps will expire on 31 December 2020 and the Group intends to continue to carry on the transactions under the 2017 Agreements, the Company has entered into the Agreements with JCC on 27 September 2020.

The Directors are of the view that, the entering into of the Agreements are beneficial to the reasonable allocation and adequate utilisation of the existing assets of each party, the realisation of resource sharing and mutual complement of advantages of each party, so as to enhance sustainable stability and development of production and operation of the Group, reduce overlapping investment and save expenses of the Group, as well as increase in the comprehensive efficiency of the Group. In addition, as the terms of the Agreements are substantially similar to the terms of the 2017 Agreements, the entering into of the Agreements will not pose additional burden on the Company.

The purpose of this circular is to provide you with information regarding, inter alia, (i) the Agreements together with the Proposed Caps, (ii) a letter of recommendation from the Independent Board Committee and (iii) a letter of advice from Lego, together with a notice of EGM, to enable you to make an informed decision as to whether to vote for or against the relevant resolutions to be proposed at the EGM.

II. AGREEMENT 1

The Company entered into Agreement 1 on 27 September 2020 with JCC in relation to, among others, the supply of various materials and provision of consolidated services by the JCC Group to the Group.

The principal terms of Agreement 1 are summarised as follows:

Date

27 September 2020

Parties

1. the Company; and
2. JCC.

LETTER FROM THE BOARD

Particulars of Agreement 1

Pursuant to Agreement 1, JCC agreed to supply various materials and provide consolidated services to the Group for a term of three years commencing from 1 January 2021 up to 31 December 2023.

Save as otherwise provided, in the event that the Company no longer requires any one type of supply of materials or provision of services under Agreement 1, the Company shall give three months' notice in writing to JCC prior to terminating such supply of materials or provision of services.

Supply of various materials by the JCC Group

Pursuant to Agreement 1, the JCC Group will provide to the Group certain materials required for the production and/or operation of the Group. These materials will mainly include the following:

- a. Copper Concentrate and gold, silver and sulfur contents contained therein;
- b. materials such as rubber products, emulsifiers, pigments and sacks produced or processed by the JCC Group and other auxiliary materials (such as loose stones, limestone, bamboo and scrap steel) which are required for the production of the Group's products;
- c. spare parts and processing parts including but not limited to machinery components such as mining spare parts, high manganese steel casting, iron-casting, steel-casting, cold welding components, sand pumps, switch boxes and other spare parts and processing parts (non-standard items) (including but not limited to roller, liner, etc.) which are required for the production of the Group's products; and
- d. gold doré and silver produced from the smelting of lead concentrate and zinc concentrate.

Provision of consolidated services by the JCC Group

Pursuant to Agreement 1, the following services will be provided by the JCC Group to the Group:

- a. entrusted processing services;
- b. machinery and electrical equipment repair services;
- c. construction and installation services;
- d. futures brokerage services;

LETTER FROM THE BOARD

- e. services of public facilities;
- f. provision of social services;
- g. environmental hygiene and greenery services;
- h. professional technical education services;
- i. labour services; and
- j. off-site communication services.

Pursuant to Agreement 1, if applicable, terms provided by JCC in relation to the supply of various materials and the provision of services under Agreement 1 will be no less favourable than terms provided by Independent Third Parties in respect of similar materials and services (as the case may be). In addition, the Company will have the option to obtain such materials and services from Independent Third Parties if it is in the interest of the Company after comparing the terms provided by JCC and Independent Third Parties.

Under the terms and conditions of Agreement 1, the obligations of the Company and JCC shall be performed by members of the Group and the JCC Group respectively. The parties may enter into corresponding implementation agreements on the basis of Agreement 1 for the actual supply and provision of services under each item.

Supply of various materials by the JCC Group

The Copper Concentrate supplied by JCC to the Group must meet the following standards and requirements:

- (1) the Copper Concentrate generally contains no less than 18% copper, provided that Copper Concentrate recovered from tailings should contain no less than 8% copper; and
- (2) when the production of JCC is affected by geology, climate change or production equipment failure, JCC may negotiate with the Group to appropriately adjust the grade and quality requirements of Copper Concentrate after obtaining the Group's consent.

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Supply of Copper Concentrate

JCC agreed to supply the Group with Copper Concentrate at a price by making reference to the market prices of Copper Concentrate of the same quality. The price is determined with reference to the open market price of copper listed on the Shanghai Futures Exchange (<http://www.shfe.com.cn/>), LME (<http://www.lme.com/>), Shanghai Gold Exchange (<http://www.en.sge.com.cn/>) and Changjiang Non-Ferrous Metal Spot* (長江有色金屬現貨) (<http://www.ccmn.cn/>), etc. In addition, JCC agreed to grant the Group the right of first refusal to purchase the Copper Concentrate from the JCC Group at prices no less favourable than the prices that the Group can otherwise obtain in the market.

Supply of gold, silver and sulfur contents contained in Copper Concentrate

JCC agreed to supply the Group with gold, silver and sulfur contents contained in Copper Concentrate at a price by making reference to the market prices of gold, silver and sulfur contents contained in Copper Concentrate of the same quality. The price of gold and silver contents contained in Copper Concentrate is determined with reference to the open market price of gold and silver listed on the Shanghai Futures Exchange (<http://www.shfe.com.cn/>), LME (<http://www.lme.com/>), Shanghai Gold Exchange (<http://www.en.sge.com.cn/>) and Changjiang Non-Ferrous Metal Spot* (長江有色金屬現貨) (<http://www.ccmn.cn/>), etc.

For sulfur contents contained in Copper Concentrate, apart from purchasing from JCC, the Company will also purchase from other suppliers within mainland China. In determining the price of sulfur contents contained in Copper Concentrate, the Company will make reference to and ensure that the price to be offered to the Company will not be higher than the price offered by at least two Independent Third Parties when entering into the agreement with JCC.

Supply of auxiliary materials which are required for the production of the Group's products

JCC agreed to supply the Group with auxiliary materials such as rubber products, emulsifiers, pigments and sacks produced or processed by the JCC Group and other auxiliary materials (such as loose stones, limestone, bamboo and scrap steel) which are required for the production of the Group's products at prices making reference to the prices in the local market to which such products are delivered (i.e. the quotation offered by at least two suppliers who are Independent Third Parties, for similar auxiliary materials). When there are no such prices, prices are charged no higher than the prices charged by the JCC Group on its members or cost plus applicable taxes. In any event, such prices shall not be higher than that offered by the Independent Third Parties to the Group, where applicable.

LETTER FROM THE BOARD

The Group shall pay 80% of the total amount of purchase of the ancillary materials to the JCC Group within 7 days of receipt of such materials and the remaining 20% of the total amount of the materials to the JCC Group upon satisfactory inspection of such materials.

Supply of spare parts and processing parts which are required for the production of the Group's products

JCC agreed to supply the Group with spare parts and processing parts including but not limited to machinery components such as mining spare parts, high manganese steel casting, iron casting, steel casting, cold welding components, sand pumps, switch boxes and other spare parts and additional parts (non standard items) such as roller and liner. The price for spare parts is calculated based on the then local market prices of such products. In determining the price for spare parts, the Company will obtain the local market prices through market survey, mainly by making reference to prices of steel, copper or other metals as quoted on Changjiang Non-Ferrous Metal Spot* (長江有色金屬現貨) (<http://www.ccmn.cn/>) and Shanghai Futures Exchange (<http://www.shfe.com.cn/>) for estimation of prices of metallic spare parts. The Company will also make reference to quotations for non-metallic spare parts and processing parts offered by at least two suppliers who are Independent Third Parties. Where there are no such prices, prices are charged no more than the prices charged by the JCC Group on its members. If the JCC Group does not supply spare parts to its members, the prices will be calculated based on the costs of the spare parts and processing parts plus applicable taxes payable to the PRC government. In any event, such prices shall not be higher than that offered by the Independent Third Parties to the Group, where applicable.

The Group shall pay 80% of the total amount of purchase of the spare parts and processing parts to the JCC Group within 7 days of receipt of such materials and the remaining 20% of the total amount of such materials to the JCC Group upon satisfactory inspection of such materials.

Supply of gold doré and silver produced from the smelting of lead concentrate and zinc concentrate

JCC agreed to provide the Group with gold doré and silver produced from the smelting of lead concentrate and zinc concentrate at a price based on the prices as listed on the Shanghai Gold Exchange (<http://www.en.sge.com.cn/>) and Ebaiyin.com (<http://www.ebaiyin.com>) as benchmark price, and will not be higher than the market prices. In addition, JCC agreed to grant to the Group the right of first refusal to purchase the gold doré and silver from the JCC Group.

LETTER FROM THE BOARD

Methods and procedures for determining the price and terms of procurement

With regard to the procurement of various materials, the Company mainly adopts the method of procurement through competitive negotiation, in which two or more specific suppliers (who are Independent Third Parties) will be invited to undergo negotiation with the procurement business department of the Company and make quotations in multiple rounds.

The suppliers management department of the Company is responsible for reviewing and verifying the reasonableness of the selection of suppliers to be invited for the competitive negotiation according to the grading of the suppliers (as set out in a list of suppliers maintained by the suppliers management department based on criteria such as the quality of goods, timeliness of delivery of goods, reasonableness of quotation, cooperativeness, after-sales service and contingency responsiveness) and the classification of the materials while the procurement management department of the Company is responsible for reviewing and verifying the reasonableness of the selection of the procurement mode and the procurement process. Proposals for the negotiation shall be reviewed by the procurement management department, and submitted for approval in accordance with the Company's procurement management measures.

All participating suppliers shall submit multiple rounds of quotations within prescribed time. Following the receipt of quotations, depending on the procurement amount and technical issues involved in the procurement, the negotiation task group which comprises members of the procurement business department, procurement management department, experts and/or the user units of the goods to be procured shall compare and negotiate the terms of quotations with the suppliers and determine the contracting supplier by taking into account factors such as price quotations, quality of goods, ability of the suppliers in meeting technical specifications of the Company, delivery schedules and qualification of the suppliers.

Provision of consolidated services

Entrusted processing services

JCC agreed to provide material processing services to the Company, mainly including (i) crushing processing of the waste refractory brick materials used by the Company in production and returning the materials containing valuable elements such as magnesium, chromium and copper to the Company for external sales and (ii) providing dismantling and processing services of the Blister Copper wastes to the Company.

LETTER FROM THE BOARD

The fees for these services payable by the Company shall be determined by making reference to the situation of similar industry and market price standards in the local market. However, the demand for such processing services only comes from major mining companies, as such, the demand is limited in each province, leading to limited options of suppliers. Given that JCC possesses the relevant capabilities and experience and in view of limited options of service providers within the province, the Company has been entrusting the JCC Group to provide the material processing services. As market price is not publicly available in the market, the service fee will be calculated based on its costs plus relevant taxes and applicable profit margin. The applicable profit margin will be calculated with reference to the difference in value between the valuable materials obtained after processing (with reference to the monthly average closing price of copper as quoted on the Shanghai Futures Exchange) and the waste materials before processing (with reference to the price charged by the Company on Independent Third Parties for the sale of comparable materials). The average applicable profit margin is estimated to be around 15%.

Machinery and electrical equipment repair services

JCC agreed to provide machinery and electrical equipment repair services to the Group. The Group shall pay the machinery and electrical equipment repair services fees to JCC monthly.

As the Group is a large scale industrial enterprise, repair of machinery and electrical equipment needs to be completed within a short period of time in order to avoid any loss caused by disruption. Therefore, determination of price by way of public tender or obtaining fee quotation may not be in the best interests of the Group as it takes longer time. PRC government prescribed prices are the most recognised public information available for reference which is generally reflective of market price. For those services with the PRC government prescribed prices, the fees will be determined with reference to the published PRC government prescribed prices under the Non-standard Equipment Pricing Measures for Non-ferrous Metal Industry* (《有色金屬工業非標準設備定價辦法》) of the Non-ferrous Metal Industry Construction Works Budget Standard Price 2019* (2019 版《有色金屬工業建設工程預算定額》) issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) in 2019, which are updated by the relevant PRC central or provincial government departments from time to time. However, sometimes the PRC government prescribed prices may not reflect the market price and thus may not be applicable. The Company will check against the prices charged by at least two Independent Third Parties providing similar services to the Company from time to time to determine its applicability.

LETTER FROM THE BOARD

When the PRC government prescribed prices are not applicable and for those services with no PRC government prescribed prices, the Company will check the industry pricing of similar services at local market through information obtained within the industry and make reference to it as well as the historical pricing based on previous operation experience and current market pricing to determine the price. If such industry or market pricing is unavailable or for those services with no industry or market pricing, the Company shall determine the price based on a price not higher than that offered by the JCC Group to its members or based on costs plus applicable taxes (whichever is lower). In any event, such prices shall not be higher than that offered by Independent Third Parties to the Group, where applicable.

Construction and installation services

JCC agreed to provide construction and installation services to the Group, including but not limited to construction of factories, office buildings and waste dumps construction services. As the PRC government prescribed prices are the most recognised public information available for reference which is generally reflective of market price, so for those services with the PRC government prescribed prices, the fees shall be not more than the price prescribed under the Jiangxi Province Standard Price of Projects 2017* (2017版《江西省建設工程定額》) issued by the Department of Housing and Urban Rural Development of Jiangxi Province* (江西省住房和城鄉建設廳) which came into effect on 1 December 2017; the Code of Bills of Quantities and Valuation for Construction Works* (GB50500- 2013) (《建築工程工程量清單計價規範》(GB50500-2013)) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部) which came into effect on 1 July 2013; or the Non-ferrous Metal Industry Construction Works Budget Standard Price 2019* (2019版《有色金屬工業建設工程預算定額》) issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) which came into effect from 29 November 2019, which are updated by the relevant PRC central or provincial government departments from time to time. However, sometimes the PRC government prescribed prices may not reflect the market price and thus may not be applicable. The Company will check against the prices charged by at least two Independent Third Parties providing similar services to the Company from time to time to determine its applicability.

When the PRC government prescribed prices are not applicable and for those services with no PRC government prescribed prices, the Company will check the industry pricing of similar services at local market through information obtained within the industry and make reference to it as well as the historical pricing based on previous operation experience and current market pricing to determine the price. If such industry or market pricing is unavailable or for those services with no industry or market pricing, the Company shall determine the price based on a price not higher than that offered by the JCC Group to its members or based on costs plus applicable taxes (whichever is lower). In any event, the price shall not be higher than that offered by Independent Third Parties to the Group, where applicable.

LETTER FROM THE BOARD

The Group shall pay service charges to the JCC Group according to the progress of the projects.

Futures brokerage services

JCC agreed to provide the brokerage services to the Group. The Company agreed to pay the JCC Group for such agency services at the lower of the current market rate (with reference to the rate charged by Jinrui Futures Co., Ltd. (金瑞期貨經紀有限公司), a subsidiary of JCC which is principally engaged in the provision of futures, options and other derivative products business, to its external independent clients) and the rate charged by the JCC Group to its members after the completion of each futures transaction.

Services of public facilities for living and production

JCC agreed to allow the Company to enjoy the public facilities in the residential area and production facilities. Regarding the public facilities in the residential area, the Company and JCC agreed to share the costs in accordance with the actual usage and the proportion of the number of employees registered in JCC and the Company as at the end of the previous year. Regarding the production facilities for the exclusive use of the Company, it is agreed that the Group will be responsible for the actual cost incurred by the Group in using the production facilities. In respect of those production facilities used by the Group and the JCC Group jointly, the Company and JCC agreed to share the actual costs on a pro rata basis with reference to their respective assets. The Company agreed to pay to JCC such costs once every calendar month and to settle at the year end in accordance with the actual situation.

Provision of social services

JCC agreed to provide social services to the employees of the Group such as employee medical services, catering services during working hours and coal gas supplies services, and the Company shall reimburse JCC the actual amount incurred by JCC, provided that such amount shall be no more than 14% of the total annual remuneration of all employees of the Group. The Group shall prepay one-twelfth of the fees for the social services to the JCC Group on a monthly basis and settle the balance at the end of each year.

LETTER FROM THE BOARD

The social services provided by the JCC Group to the Group are as follows:

- (i) JCC will provide water and electricity supply services to the Group's employee at the purchase price while the operation costs will be deducted from the welfares provided by the Group to JCC; and
- (ii) JCC will provide catering services to the Group's employee at a favourable rate while the water and electricity expenses are included in the budget and will be deducted from the meal expenses provided by the Group to the canteen of JCC.

Environmental hygiene and greenery services

JCC agreed to provide environmental hygiene and greenery services such as hygiene and greenery services at the roads of the living area, hygiene services of family buildings, cleaning of septic tanks and maintenance of plants and trees in the living area. The Company has agreed to reimburse the JCC Group on a monthly basis the actual cost of such environmental hygiene and greenery services on a pro rata headcount basis. The Company shall prepay one-twelfth of the service fee to JCC each month and settle the balance at the end of each year.

Professional technical education services

JCC agreed to provide the Group's employees education services, such as staff education and technical training courses, at a fee based on the following:

- a. for staff education expenses, the estimated annual budget for staff education and training expenses will be 2.5% of the total salary of the employees of the Company in the previous year. The Company shall pay the actual amount of training expenses to the JCC Group within such estimated budget; and
- b. for professional technical education expenses, the estimated annual budget for the following year will be determined in the current year. The students will be charged the costs of living and studying materials while all other costs will be counted into the budgets for the professional technical training courses. The education expenses include the actual expenses and the cost of the items such as salaries of teaching staff, bonuses, welfares, training, labour insurance, depreciation of school's fixed assets, maintenance fees, office supplies, examination, academic exchanges, travelling expenses and student internship expenses.

LETTER FROM THE BOARD

In the event that the Company no longer requires the provision of education services by JCC, the Company shall provide a twelve months' notice in writing to JCC prior to the termination. If, in accordance with the national requirements or requirements of the relevant Jiangxi province governmental bodies, the provision of such education services is transferred from JCC and its subordinate institutions to the education departments of the areas governing JCC, JCC will stop providing such education services, and at the same time, the Company will stop paying the fees in relation to such education services.

Labour services

JCC agreed to provide labour services, such as loading, unloading and transporting services of various materials for production and sale, to the Company. The Company will make public enquiry with at least two similar service providers in the market, which are Independent Third Parties, as to the fees of such services and determine the pricing terms based on the quotations obtained. Where there are no quotation as mentioned above, the Company will make reference to the annual remuneration of employees hired for similar labour services plus relevant materials costs and taxes to determine the fees charged for such services. The fees for these services shall be payable by the Company on a monthly basis.

Off-site communication services

JCC agreed to provide to the Company off-site communication services, such as acting as the communication channel with relevant regulatory authorities and reception of staff. The Company agreed to reimburse the JCC Group on a monthly basis the actual cost such as salaries, bonuses, welfare, trainings, labour insurance, depreciations and other administrative costs, for operating such services on a pro rata basis with reference to their respective asset values. The Company shall pay one-twelfth of the budget service fee to JCC each month and settle the balance at the end of each year in accordance with the actual condition. The budget fees are determined with reference to the actual costs incurred by JCC in the previous year.

Annual Caps

The historical annual caps under the 2017 Consolidated Supply and Services Agreement I for the three financial years ending 31 December 2020 were RMB502,100,000, RMB502,400,000 and RMB507,700,000 respectively.

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The amount of the relevant transactions under the 2017 Consolidated Supply and Services Agreement I for the two financial years ended 31 December 2019 and the six months ended 30 June 2020 were about RMB442,284,988.59, RMB493,472,628.51 and RMB235,086,391 respectively (equivalent to approximately HK\$503,191,258.52, HK\$561,427,856.23 and HK\$267,459,714.89 respectively).

The Proposed Caps regarding the transactions contemplated under Agreement 1 for each of the three financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 will not exceed RMB2,111,280,000, RMB2,148,780,000, and RMB2,244,080,000 respectively (equivalent to approximately HK\$2,402,020,570, HK\$2,444,684,627 and HK\$2,553,108,219 respectively) and have been determined with reference to (i) the historical transaction amounts under the 2017 Consolidated Supply and Services Agreement I; and (ii) the proposed expansion of the Group's business of exporting gold doré and silver, and the proposed purchase of gold doré and silver from the JCC Group in the coming 3 years to conduct such business.

The significant increase in the Proposed Caps regard Agreement 1 was primarily due to the proposed expansion of the Group's business of exporting gold doré and silver which will result in significant increase in demand for gold doré and silver from the JCC Group. The Group commenced its gold doré and silver export business since April 2020 through a subsidiary in Hong Kong. Such business has expanded rapidly and achieved generally high sales amount since April 2020 and up to the Latest Practicable Date, which amounted to approximately USD214.6 million (equivalent to approximately RMB1,437.8 million). In view of the proposed business expansion to source and engage additional customers, it is expected that the sales amount for such business would continue to grow for each of the three years ending 31 December 2023, which will lead to increase in purchase of gold doré and silver from JCC Group which provides the Group a stable supply of gold doré and silver in order to cater for the growing demand of these products.

Without taking into account the proposed purchase of gold doré and silver from the JCC Group, the purchase of materials and procurement of service from the JCC Group would generally be consistent with the annual caps under the 2017 Consolidated Supply and Services Agreement I which represents a combined result of (i) the aggregate of the highest transaction amount of material and service item under the 2017 Consolidated Supply and Services Agreement I for the two years ended 31 December 2019 and the six months ended 30 June 2020 (on an annualised basis); and (ii) the anticipated transaction amount of certain material and service items with approximately 10% increment as a buffer to cater for the combined effect of the possible increase in the price and expected purchase volume of various materials.

LETTER FROM THE BOARD

As one of the Percentage Ratios in respect of the maximum amount of the Proposed Caps of Agreement 1 exceeds 5%, therefore Agreement 1 and its Proposed Caps are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for and benefits of the entering into of Agreement 1

The principal business of the Group covers copper and gold mining and dressing, smelting and processing, extraction and processing of scattered metals, sulphuric chemistry as well as finance and trading fields. The Company has five 100% owned mines under production, namely Dexing Copper Mine (including copper factory mining area, Fujiawu mining area and Zhushahong mining area), Yongping Copper Mine, Chengmenshan Copper Mine (including Jinjiwo Silver- Copper Mine), Wushan Copper Mine, and Yinshan Mining Company, and a number of relevant production facilities, including three smelters and eight modern copper products processing plants. The Company also holds 29.99% of Shandong Humon Smelting Co., Ltd., which is mainly engaged in the exploration, mining, dressing, smelting and chemical production of gold and is a national key gold smelting enterprise. The main products of the Group include more than 50 varieties of products, such as Copper Cathode, gold, silver, sulphuric acid, copper rod, copper tube, copper foil, selenium, tellurium, rhenium and bismuth, etc.

With the increase in production capacity of the Group, demand for raw materials increased accordingly. By taking advantage of the existing market resources of the JCC Group, the Group can establish networks of sales and outsourcing raw materials of copper, and obtain stable supply channels of raw materials. The Group will benefit from several supportive integrated services provided by the JCC Group to the Group for normal operation, including repair services and construction services, which will enhance the Group's operation and minimise the costs of arranging manpower to provide repair services and construction services by the Group.

The Directors have also confirmed that the prices charged by the JCC Group for the provision of various materials and consolidated services to the Group pursuant to Agreement 1 will not be higher than those offered by Independent Third Parties and that the terms of Agreement 1 have been determined after arm's length negotiations between JCC and the Company and will be no less favourable than the terms and conditions the Group can otherwise obtain in the market, if applicable. The Directors are of the view that the transactions contemplated under Agreement 1 are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, the terms are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

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III. AGREEMENT 2

The Company entered into Agreement 2 on 27 September 2020 with JCC in relation to, among others, the supply of various materials and provision of consolidated services by the Company to the JCC Group.

The principal terms of Agreement 2 are summarised as follows:

Date

27 September 2020

Parties

1. the Company; and
2. JCC.

Particulars of Agreement 2

Pursuant to Agreement 2, the Company has agreed to supply various materials and consolidated services to the JCC Group for a term of three years commencing from 1 January 2021 up to 31 December 2023.

Save as otherwise provided, in the event that JCC no longer requires any one type of supply of materials or provision of services under Agreement 2, JCC shall give three months' notice in writing to the Company prior to terminating such supply of materials or provision of services.

Supply of materials by the Company

Pursuant to Agreement 2, the Company will provide to the JCC Group certain products, raw materials, auxiliary materials, spare products, spare parts, processing parts and waste materials required for the production of the JCC Group. These materials and auxiliary materials will mainly include the following:

- a. Copper Cathode and copper rod and wire;
- b. lead materials (lead concentrate, lead ingot and other materials containing lead);
- c. zinc materials (zinc concentrate, zinc ingot and other materials containing zinc);

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- d. sulfuric acid and steel balls;
- e. waste materials (including but not limited to scrap materials and materials containing valuable elements such as slag and white smoke and dust generated from the smelting and production process); and
- f. auxiliary materials including but not limited to non-ferrous materials, chemical materials, diesel, steel, cement, wires and cables.

Consolidated Services to be provided by the Company

Pursuant to Agreement 2, the following services will be provided by the Company to the JCC Group:

- a. construction and installation services;
- b. vehicle repair services;
- c. machinery and electrical equipment repair services;
- d. water supply services;
- e. electricity transmission services;
- f. natural gas transmission services;
- g. environmental hygiene and greenery services;
- h. processing on order service;
- i. agency services for sales of products and sourcing of raw materials;
- j. office lease services; and
- k. research and development in technology.

Pursuant to Agreement 2, regarding the Group, if applicable, terms relating to the supply of products, raw materials, auxiliary materials, spare products, spare parts, processing parts and waste materials and the provision of consolidated services to the JCC Group will be no less favourable than terms offered by the Group to the Independent Third Parties in connection with similar materials and services (as the case may be).

LETTER FROM THE BOARD

Under the terms and conditions of Agreement 2, the obligations of the Company and JCC shall be performed by members of the Group and the JCC Group respectively. The parties may enter into corresponding implementation agreements on the basis of Agreement 2 for the actual supply and provision of services under each item.

Supply of materials by the Company

Supply of Copper Cathode and copper rod and wire

The Company has agreed to supply the JCC Group with Copper Cathode and copper rod and wire at prices equivalent to the following:

1. for Copper Cathode, the price will be calculated as: $Q + R - S$

Where:

Q = monthly average closing price of copper as quoted on the Shanghai Futures Exchange for the month in which the orders were made;

R = premium per tonne above the standard rate for Copper Cathode, being the market rate of premium for grade A Copper Cathode as registered under the Shanghai Futures Exchange, of which the Copper Cathode produced by the Company is categorised; and

S = 50% of the transportation cost for the delivery of Copper Cathode from the Company's production plant to the warehouse of the Shanghai Futures Exchange.

2. for copper rod and wire, the price will be calculated as: $T + U$

Where:

T = monthly average closing price of copper as quoted on the Shanghai Futures Exchange for the month in which the orders were made; and

U = processing fee determined with reference to the processing fee payable by Independent Third Parties to the Company.

3. for lead, zinc materials and sulfuric acid and other products, their prices shall be determined with reference to the price charged by the Company on Independent Third Parties.

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4. for steel balls, the price will be determined based on that charged by the Company on Independent Third Parties. If prices charged on Independent Third Parties are unavailable, such prices shall be not lower than that offered by the Company to its Group members. In any event, such prices shall not be lower than that offered by the Group to Independent Third Parties, where applicable.

Waste materials generated from the production process of the Group and auxiliary materials

The Company has agreed to supply waste materials generated from the Group's production and auxiliary materials at prices equivalent to the following:

1. for waste materials such as scrap materials and slag generated from the smelting and production process, prices will be calculated with reference to the prices charged by the Company on Independent Third Parties. If such prices are unavailable, prices will be calculated based on its costs plus applicable taxes payable to the PRC government and profit margin of the same or similar industry as quoted by the PRC government.
2. for auxiliary materials such as non-ferrous materials, chemical materials, diesel, steel, cement, wires and cables, the prices will be calculated with reference to the prices of the market in which the material is being delivered. If such market price is unavailable, the prices will be not lower than the price charged by the Group on its Group members or cost plus applicable taxes (whichever is higher). In any event, such prices shall not be lower than that offered by the Group to the Independent Third Parties, where applicable.

In relation to the abovementioned supply of materials by the Group, the JCC Group shall pay 80% of the total amount of purchase of the materials to the Company within 7 days of receipt of such materials, and the remaining 20% of the total amount of the materials to the Company upon satisfactory inspection of such materials.

Procedures for determining and approving sales price of products

The Company has complied with its internal "Administrative Measures for Sales of Products" which provides for the procedures for determining and approving sales price of products which are applicable to the Group.

The Company's sales personnel regularly collect and organise market information through routine contact and visits with customers, and submit them to their respective sales supervisors in regular meetings. The marketing department of the Company will conduct market analysis and study, and propose marketing plans with reference to the complied market information.

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In accordance with the marketing strategy, pricing principle and pricing methods determined in the marketing plans, together with the specific conditions of sales markets in various regions and of various customers, the sales department of the Company shall formulate specific pricing plans for sales of products and report to the corresponding supervisors.

The marketing responsible person of the Company may organise relevant personnel to conduct seminars and hearings on the pricing plans, examine and approve the pricing plans, and delegate the execution of the pricing plans to the sales and settlement department of the Company. Important pricing plans will be submitted to the Company's deputy general manager in charge of marketing for approval.

Where the change in market prices renders the adjustment of sales price of products necessary, the sales department shall promptly re-formulate pricing plans for sales of products in accordance with the market condition and marketing strategy and report to the corresponding responsible person for approval.

Consolidated Services to be provided by the Company

Construction and installation services

The Company agreed to provide construction and installation services to the JCC Group, including but not limited to construction of factories, office buildings and waste dumps construction services. As the PRC government prescribed prices are the most recognised public information available for reference which is generally reflective of market price, so for those services with the PRC government prescribed prices, the fees will be determined with reference to the price prescribed under the Standard Price of Consumption of General Installation Projects (TY02-31-2015)* (《通用安裝工程消耗量定額》(TY02-31-2015)) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部) which came into effect on 1 September 2015; the Jiangxi Province Standard Price of Projects 2017* (2017版《江西省建設工程定額》) issued by the Department of Housing and Urban Rural Development of Jiangxi Province* (江西省住房和城鄉建設廳) which came into effect on 1 December 2017; the Code of Bills of Quantities and Valuation for Construction Works* (GB50500- 2013) (《建築工程工程量清單計價規範》(GB50500-2013)) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部) which came into effect on 1 July 2013; or the Non-ferrous Metal Industry Construction Works Budget Standard Price 2019* (2019版《有色金屬工業建設工程預算定額》) issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) in 2019, which are updated by the relevant PRC central or provincial government departments from time to time. However, sometimes the PRC government prescribed prices may not reflect the market price and thus may not be applicable.

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When the PRC government prescribed prices are not applicable and for those services with no PRC government prescribed prices, the Company will check the industry pricing of similar services at local market through information obtained within the industry and make reference to it as well as the historical pricing based on previous operation experience and current market pricing to determine the price. If such industry or market pricing is unavailable or for those services with no industry or market pricing, the prices charged by the Company to the JCC Group shall not be lower than that charged by the Company to its members or by making reference to costs plus applicable taxes (whichever is higher). In any event, such prices shall not be lower than that offered by the Group to Independent Third Parties, where applicable.

The JCC Group shall pay service charges to the Group according to the progress of the projects.

Vehicle repair services

The Company has agreed to provide repair services for different kinds of transportation facilities to the JCC Group. The fees for these services shall be payable by the JCC Group on a monthly basis.

The Company will check the industry pricing of similar services at local market through information obtained within the industry and make reference to it as well as the historical pricing based on previous operation experience and current market pricing to determine the price. If such industry or market pricing is unavailable or for those services with no industry or market pricing, the Company will charge the JCC Group for the prices not lower than the prices charged by it to its members or by making reference to costs plus applicable taxes (whichever is higher). In any event, such prices shall not be lower than that offered by the Group to Independent Third Parties, where applicable.

Machinery and electrical equipment repair services

The Company agreed to provide machinery and electrical equipment repair services to the JCC Group. The fees for these services shall be payable by the JCC Group on a monthly basis.

As the JCC Group is a large scale industrial enterprise, repair of machinery and electrical equipment needs to be completed within a short period of time in order to avoid any loss caused by disruption. Therefore, determination of price by way of public tender or obtaining fee quotation may not be in the best interests of the JCC Group as it takes longer time. PRC government prescribed prices are the most recognised public information available for reference which is generally reflective of market price. For those services with the PRC government prescribed prices, the fees will be determined with reference to the published PRC government prescribed prices under the Non-standard Equipment Pricing for Non-ferrous Metal Industry* 《(有色金屬工業非標準設備定價辦

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法》) of the Non-ferrous Metal Industry Construction Works Budget Standard Price 2019* (2019版《有色金屬工業建設工程預算定額》) issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) in 2019, which are updated by the relevant PRC central or provincial government departments from time to time. However, sometimes the PRC government prescribed prices may not reflect the market price and thus may not be applicable.

When the PRC government prescribed prices are not applicable and for those services with no PRC government prescribed prices, the Company will check the industry pricing of similar services at local market through information obtained within the industry and make reference to it as well as the historical pricing based on previous operation experience and current market pricing to determine the price. If such industry or market pricing is unavailable or for those services with no industry or market pricing, the Company will charge the JCC Group for prices not lower than the prices charged by it to its members or by making reference to costs plus applicable taxes (whichever is higher). In any event, such prices shall not be lower than that offered by the Group to Independent Third Parties, where applicable.

Water supply service

The Company agreed to supply the JCC Group with water for industrial use at a fee payable on a monthly basis calculated based on the actual costs plus applicable taxes.

Electricity transmission services

The Company agreed to provide electricity transmission service to the JCC Group at a fee based on the actual costs plus applicable taxes.

The actual costs include the costs of acquisition and transmission of electricity such as consumption of materials, salary, surcharges, depreciation, maintenance fees and amortisation of wires.

Natural gas transmission services

The Company agreed to provide natural gas transmission service to the JCC Group at a fee based on the actual costs plus applicable taxes. The actual costs include the costs of acquisition and transmission of natural gas such as consumption of materials, salary, surcharges, depreciation, maintenance fees and amortisation of pipelines.

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Environmental hygiene and greenery services

The Company agreed to provide environmental and hygiene services, including sweeping, cleaning and maintenance and construction of greenery areas, to the JCC Group in its factory areas at a fee based on the actual costs (including the salary payable to cleaning workers according to the labour market level and the relevant materials fees) and other unforeseeable expenses (including the labour cost rise due to rise in price index, etc.).

Processing on order services

The Company agreed to provide processing on order services to JCC, under which the Company will process the copper materials provided by JCC into copper rod and wire products in accordance with the requests of JCC at a fee determined with reference to the price charged by the Company on Independent Third Parties and shall be payable by JCC to the Company upon delivery of products.

Agency services for sales of products and sourcing of raw materials

The Company agreed to provide agency services for sales of products and sourcing of raw materials, including but not limited to sales of sulfuric acid, gold, silver and scattered metals and sourcing of raw materials such as lead and zinc.

JCC should pay to the Company such agency services fee regularly pursuant to Agreement 2. In determining the services fees or agency rates for these services, the Company will obtain quotations from similar service providers who are Independent Third Parties in the local market. When there are no such prices, the prices will be based on the actual costs incurred in providing such services plus appropriate profits plus applicable taxes. Appropriate profits will be calculated with reference to the actual profit margin applied in trading business of the Company with Independent Third Parties. The profit margin applied in trading business is comparable to that of agency services for sales of products and sourcing of raw materials as the nature, products, procedures and costs involved are substantially the same. The trading business of the Company similarly involves the sourcing of raw materials and sale of products, save for the increased cash flow commitment and risks as the costs would be borne by the Company instead of JCC.

Office lease services

The Company agreed to provide office lease services to the JCC Group in its office premises including its headquarter and office premises of its subsidiaries and subsidiaries incorporated from time to time located in Beijing, Shanghai, Shenzhen and Chengdu, together with other office facilities and common facilities (including the public road, greenery area, stairs, elevators and car parks) adjoining to the premises. During the subsistence of Agreement 2, the JCC Group shall not sub-let such office premises.

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In determining the price of the rental and miscellaneous fees, the Company will check from the market the rental of similar type of office in close proximity where the office premises are located and make reference to their price and terms. The price and terms of the office premises leased by JCC from the Company will be not be lower than the price and terms offered by the Company to its Group members and the price and terms offered in the market. The rent and miscellaneous fees shall be payable by JCC to the Company within 5 days after the end of each quarter and monthly, respectively.

Research and development in technology

The Company agreed to provide research and development services in technology to JCC. Due to the exclusivity of the technology involved in the research and development services provided by the Company, there are no sufficient comparable transactions in the market available for reference. The fees for these services will be determined with reference to agreements entered into between the Company and Independent Third Parties from time to time for similar research and development services in technology.

Annual Caps

The historical annual caps under the 2017 Consolidated Supply and Services Agreement II for the three financial years ending 31 December 2020 were RMB3,998,200,000, RMB4,003,700,000 and RMB4,009,200,000 respectively.

The amount of the relevant transactions under the 2017 Consolidated Supply and Services Agreement II for the two financial years ended 31 December 2019 and the six months ended 30 June 2020 were about RMB1,127,597,941.26, RMB1,352,347,184.24 and RMB573,585,315.34 respectively (equivalent to approximately HK\$1,282,877,424.75, HK\$1,538,576,481.56 and HK\$652,572,717.01 respectively).

The Proposed Caps regarding Agreement 2 for each of the three financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 will not exceed RMB2,372,980,000, RMB2,385,910,000, and RMB2,436,170,000 respectively (equivalent to approximately HK\$2,699,758,806, HK\$2,714,469,373 and HK\$2,771,650,587 respectively) and have been determined with reference to (i) the historical transaction amounts under the 2017 Consolidated Supply and Services Agreement II and (ii) the expected expansion of the Group's copper rods and wires business with the JCC Group and the expected corresponding increase in the JCC Group's demand for the Group's copper rods and wires. The Proposed Caps regarding Agreement 2 generally represent a combined result of (i) the aggregate of the highest transaction amount of material and

LETTER FROM THE BOARD

service item under the 2017 Consolidated Supply and Services Agreement II for the two years ended 31 December 2019 and the six months ended 30 June 2020 (on an annualised basis); and (ii) the anticipated transaction amount of certain material and service items with approximately 10% increment as a buffer to cater for the combined effect of the possible increase in the price and expected purchase volume of various materials. In addition, the expected increase in supply of copper rod and wires to the JCC Group was primarily due to JCC's anticipation in acquiring two downstream companies in the copper industry in 2021, the principal business of which, require copper rod and wire as raw materials. As such, the demand for copper rod and wire from the JCC Group is expected to increase by approximately 11,000 tonnes following the acquisition of these two companies on an annual basis which was determined with reference to the historical transaction amount between (i) the Group and the JCC Group and (ii) the Group and these two companies, and the expected growth in business scale and production of the JCC Group and these two companies upon the acquisition by the JCC Group.

As one of the applicable Percentage Ratios in respect of the maximum amount of the Proposed Caps of Agreement 2 exceeds 5%, therefore Agreement 2 and its Proposed Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for and benefits of the entering into of Agreement 2

As set out in the section headed "Reasons for and benefits of the entering into of Agreement 1" in the "Letter from the Board" of this circular, the principal business of the Group covers copper and gold mining and dressing, smelting and processing, extraction and processing of scattered metals, sulphuric chemistry as well as finance and trading fields. The main products of the Company include more than 50 varieties of products, such as Copper Cathode, gold, silver, sulphuric acid, copper rod and wire, copper tube, copper foil, selenium, tellurium, rhenium and bismuth, etc. The supply of Copper Cathode and copper rod and wire is related to one of the principal businesses of the Company.

Supply of certain products by the Group to the JCC Group can enhance the utilisation rate of waste products produced during manufacturing process, increase the revenue of the Group, and reduce the costs of handling the waste products, which complies with the national environmental policy. Moreover, there is no adverse impact on the Group's operation when providing services and supplying certain products and waste products to the JCC Group but instead enhances the Group's economies of scale.

LETTER FROM THE BOARD

The Directors have also confirmed that the prices charged by the Group for the provision of various materials and consolidated services to the JCC Group pursuant to Agreement 2 will not be lower than those charged on Independent Third Parties and that the terms of Agreement 2 have been determined after arm's length negotiations between the parties thereto and will be no less favourable than the terms and conditions the Group can otherwise obtain in the market, if applicable. The Directors are of the view that the transactions contemplated under Agreement 2 are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, the terms are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Mutual Services to be supplied by JCC and the Company under Agreement 1 and Agreement 2

Pursuant to Agreement 1 and Agreement 2, JCC and the Company agreed to provide construction and installation services, machinery and electrical equipment repair services and environmental hygiene and greenery services to each other. Since the listing of the Company in 1997 when JCC segregated the business of the Company from the JCC Group, the JCC Group has been providing ancillary services relating to mine exploration and smelting to the Group in order to save cost and ensure the sustainability of operation of the Group. By leveraging on the JCC Group's existing resources, the Group would be able to minimise both monetary and time cost of establishing its own team, obtaining all kinds of qualifications and building the required expertise to handle all sorts of ancillary services relating to mine exploration and smelting for its operation in all geographical locations. On the other hand, the Company has been providing construction and installation services and machinery and electrical equipment repair services to members of the JCC Group, including Sichuan JCC Rare Earth Metals Co., Ltd. (四川江銅稀土有限責任公司), Jiangxi Copper Lead & Zinc Metal Co., Ltd. (江西銅業鉛鋅金屬有限公司) and Jiangxi Jinde Lead Co., Ltd.* (江西金德鉛業股份有限公司) since 2008. In particular:

1. the JCC Group and the Group possess different construction qualifications (such as smelting supporting construction and mine construction). The main qualifications of the JCC Group include: corrosion protection of engineering equipment and pipelines, installation of anti-corrosion facilities, demolition of abandoned smelting facilities, etc. The main qualifications of the Group include: construction of mine slopes, laying of mine fences, excavation of mines, etc. The Company and the JCC Group would provide relevant construction and installation services to each other depending on their respective operating needs and geographical locations. For example, JCC (Guixi) Anti-corrosion Engineering Co., Ltd.* (江西銅業集團(貴溪)防腐工程有限公司), a subsidiary of JCC, would provide engineering equipment and pipeline corrosion protection to the Group's Guixi Smelter Factory* (貴溪冶煉廠); while the Group's Dexing Construction Company* (德興建設公司), would provide relevant construction and exploration services to the mines of the JCC Group;

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2. in view of the expertise and knowledge of the Group and the JCC Group in machinery and electrical equipment in the mining industry, the Group and the JCC Group would provide relevant machinery and electrical equipment repair services to each other depending on their respective needs and geographical locations. The Group and the JCC Group own different mines and smelting facilities in different geographical locations which require different machinery and electrical equipment repair services. The JCC Group provides relevant repair services to the mines and smelting facilities of the Group in Guixi, Dexing, Yongping and Dongxiang in Jiangxi Province, while the Group provides relevant equipment repair services to lead zinc smelting and rare earth mine facilities of the JCC Group in Jiujiang in Jiangxi Province and Mianning in Sichuan Province; and
3. the environmental hygiene and greenery services are provided by members of the JCC Group and the Group (as the case may be) depending on their geographical proximity to the community which requires such services. Dexing Construction Company* (德興建設公司), a subsidiary of the Company, which possesses relevant environmental hygiene and greenery capabilities, provides such services to the community within close proximity of Dexing Copper Mine and Yinshan Lead Zinc Mine while members of the JCC Group would provide such services to the communities located in other areas, including Yongping Copper Mine, Wushan Copper Mine and Guixi Smelter Factory* (貴溪冶煉廠).

IV. THE LAND USE RIGHTS LEASING AGREEMENT

The Company entered into the Land Use Rights Leasing Agreement on 27 September 2020 with JCC in relation to the leasing of the land use rights of the Land.

The principal terms of the Land Use Rights Leasing Agreement are summarised as follows:

Date

27 September 2020

Parties

1. the Company; and
2. JCC.

LETTER FROM THE BOARD

Particulars of the Land Use Rights Leasing Agreement

Pursuant to the Land Use Rights Leasing Agreement, JCC agreed to let the land use rights of the Land covering an area of approximately 50,841,612.77 square meters to the Company for a term of three years commencing from 1 January 2021 up to 31 December 2023 at an annual rate of RMB196,971,013.04 (equivalent to approximately HK\$224,095,536.82). The actual rate will be calculated in accordance with the actual area used by the Group. Such rate was arrived after arm's length negotiations between the Company and JCC with reference to (i) the rent under the 2017 Land Use Rights Leasing Agreement; (ii) the guidance price of land leasing of local government in Jiangxi Province; and (iii) the recent fair trading price. The Group shall pay the rent to JCC within 15 days after the end of each quarter.

The Company has a preferential right to renew the Land Use Rights Leasing Agreement by giving JCC a written notice within 6 months before the expiration of the Land Use Rights Leasing Agreement.

Conditions

The transactions contemplated under the Land Use Rights Leasing Agreement will be subject to the fulfillment of the following conditions:

- (i) the relevant authority of JCC approving the execution of the Land Use Rights Leasing Agreement;
- (ii) the Board and/or general meeting of the Company approving the execution of the Land Use Rights Leasing Agreement in accordance with its articles and relevant regulations of the SSE Listing Rules and Listing Rules; and
- (iii) the relevant land administration authority approving or consenting to the leasing of the land use rights under the Land Use Rights Leasing Agreement or the relevant legal prerequisites for the leasing of the land use rights having been satisfied.

Financial Effects of the Land Use Rights Leasing Agreement

Under the Land Use Rights Leasing Agreement, the rent payable for each quarter (after deducting the value-added tax) is RMB46,897,860.25.

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Pursuant to IFRS 16, the value of the right-of-use assets recognised by the Group under the Land Use Rights Leasing Agreement amounts to RMB515,141,822.06, which is calculated by discounting the total rent payable for the 12 quarters during the term thereof (after deducting the value-added tax) by an annual interest rate of 5.55%. All the Percentage Ratios in respect of the right-of-use assets of the Land Use Rights Leasing Agreement are less than 5%, it is therefore exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. However, it is subject to Independent Shareholders' approved requirement under the SSE Listing Rules.

Reasons for and benefits of the entering into of the Land Use Rights Leasing Agreement

Due to historical factors, some of the office buildings and factories of the Group are built on the land owned by the JCC Group. The land use rights leasing approach adopted by the Group to the JCC Group can help reduce investment of the Group.

The Directors have also confirmed that the terms of the Land Use Rights Leasing Agreement have been determined after arm's length negotiation between the parties thereto and will be no less favourable than the terms and conditions the Group can otherwise obtain in the market, if applicable. The Directors are of the view that the transactions contemplated under the Land Use Rights Leasing Agreement are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, the terms are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

V. INTERNAL CONTROL MEASURES

The Company has implemented the following internal control measures in order to ensure that the pricing mechanism and the terms of the continuing connected transactions are fair and reasonable and no less favourable than the terms provided by any Independent Third Party:

- (i) the Supervisory Committee operates independently of the Board and performs supervisory duties over the Board and the senior management of the Company. It is responsible for supervising the establishment and implementation of internal control. It further conducts review over the Group's connected transactions annually and monitor whether such transactions would damage the interests of the Shareholders of the Company;
- (ii) the Audit Committee is responsible for reviewing and monitoring internal control of the Company;

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- (iii) the Supervisory Committee and the Audit Committee shall perform internal review and control over the continuing connected transactions of the Company, including reviewing contracts signed between the Company and connected persons, supervising the performance of procedures prior to signing of contracts as well as the fulfilment of transactions thereunder, regularly inspecting specific terms of the Company's transactions with connected persons and comparing with the terms of same type of transactions of the Company entered into with Independent Third Parties, to ensure that the pricing and other terms for the Group's continuing connected transactions are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and its Shareholders; and
- (iv) the external auditor of the Company conducts annual audit and issues its opinion as to the implementation of the continuing connected transactions by the Company and whether such transactions are conducted within the annual caps as approved by the Shareholders.

VI. CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

As at the Latest Practicable Date, JCC is a substantial shareholder holding approximately 43.72% of the total issued share capital of the Company and therefore JCC is a connected person of the Company under the Listing Rules.

The entering into of the Continuing Connected Transactions contemplated under the Agreement 1 and Agreement 2 shall constitute continuing connected transactions of the Company and will therefore be subject to the requirements under Chapter 14A of the Listing Rules. Pursuant to IFRS 16, the Group will recognise the right-of-use assets in relation to the Land Use Rights Leasing Agreement, therefore, the transactions contemplated thereunder shall constitute acquisition of assets and connected transactions of the Company, and will therefore also be subject to the requirements under Chapter 14A of the Listing Rules. The Directors are of the view that the transactions contemplated under the Agreements are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, the terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

On 25 September 2020, a Board meeting was convened to approve, among others, the Agreements, the transactions contemplated thereunder and the Proposed Caps (the “**CT Board Resolutions**”).

Save for Mr. Zheng Gaoqing, the chairman and an executive Director, Mr. Wang Bo, Mr Liu Fangyun and Mr. Yu Tong, the executive Directors, who are connected directors of JCC and have abstained from voting on the CT Board Resolutions, none of the Directors have a material interest in the Agreements or is required to abstain from voting on the CT Board Resolutions.

LETTER FROM THE BOARD

As one of the Percentage Ratios in respect of the maximum amount of the Proposed Caps of the continuing connected transactions contemplated under Agreement 1 and Agreement 2 exceeds 5% respectively, therefore they are subject to the reporting, announcement and Independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules. The transactions contemplated under the Agreements are also subject to Independent Shareholders' approval under the SSE Listing Rules. If during the period ending 31 December 2023, the aggregate annual value of the Continuing Connected Transactions contemplated under Agreement 1 or Agreement 2 exceeds the Proposed Caps or there is material change to the Agreements, the Company will take necessary steps to ensure compliance with all applicable rules under Chapter 14A of the Listing Rules.

The transactions contemplated under the Agreements will be subject to approvals from the Independent Shareholders at the EGM approving, inter alia, the Agreements and the transactions contemplated thereunder and the Proposed Caps for Agreement 1 and Agreement 2 (as set out below), in which JCC and its associates will abstain from voting.

If any of the conditions for the Agreements set out herein are not fulfilled by 31 December 2020 (or such other date as agreed between JCC and the Company), the Agreements will lapse and all the obligations and liabilities of the parties to the Agreements will cease and terminate except for any antecedent breach.

As disclosed above, the Company proposed to set the Proposed Caps for the transactions under the Agreement 1 and Agreement 2 as follows:

	Proposed Caps for the year ending 31 December		
	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Agreement			
Agreement 1	2,111,280,000	2,148,780,000	2,244,080,000
Agreement 2	2,372,980,000	2,385,910,000	2,436,170,000

The amount of the transactions to be received or payable by the relevant parties under each of the Agreements will not be netted off.

LETTER FROM THE BOARD

VII. GENERAL INFORMATION

The Company is a Sino-foreign joint venture joint stock limited company incorporated in the PRC on 24 January 1997. The Company's main scope of operations include: mining, milling, smelting, further processing and related technical services of non-ferrous metals and rare metals; smelting, mangle processing and further processing of non-ferrous metal mines, rare metals, non-metal mines, non-ferrous metals and related by-products; sulfur chemical products and its extended products and fine chemical products related to the abovementioned operations; trading of non-ferrous metals and trading of precious metals; beneficiation pharmacy, rubber products; production and processing of toxic chemicals, corrosives, compressed gases and liquefied gases; sale and after-sale services for self-produced products together with related consultation services and businesses; geotechnical projects, surveying, tunneling projects; repair and decoration for electrical and mechanical and civil engineering works; vehicles and engineering machinery repair, mobile crane repair; production of rubber hoses assemblies-wire reinforced hydraulic type; casting of wear-resistant alloy products; manufacturing, further processing, erection, repair and sale of mining and smelting specialized equipment; painting, insulation and anticorrosion works; cleansing of industrial equipment; passenger and freight transportation (include dangerous goods transportation), freight transportation agent, warehousing (except dangerous goods); property leasing; technical consultation and services; technical development and assignment; engaging in overseas futures hedging business; provision of import and export agency services (the import and export of the abovementioned commodities do not involve commodities which are subject to and regulated under specific regulations such as state trading, import quota license, export quota bidding and export quota license, except those commodities which the state has specific requirements).

JCC is a state-owned enterprise and the holding company of the Company. The de facto controller of JCC is Stated-owned Asset Supervision and Administrative Commission of Jiangxi Province. The principal business of JCC covers non-ferrous mines, non-metal mines and non-ferrous smelting and rolling processed products. JCC undertakes the construction of overseas non-ferrous industry and domestic international tendering construction, the necessary equipment for the abovementioned overseas construction, export of materials and the necessary labour sent to overseas for the implementation of the abovementioned overseas construction.

VIII. THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising the independent non-executive Directors has been formed for advising the Independent Shareholders on the terms and conditions of the Agreements and the Proposed Caps. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder (including the Proposed Caps) has been set out on page 34 of this circular.

LETTER FROM THE BOARD

Lego has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the same. The letter is set out in the section headed “Letter from Lego” of this circular.

IX. EGM

As at the Latest Practicable Date, JCC is interested in 1,513,847,110 Shares comprising 1,205,479,110 A Shares and 308,368,000 H Shares, representing approximately 43.72% of the total issued share capital of the Company and is therefore a connected person of the Company. In view of the interest of the JCC and its associates in the transactions contemplated under the Agreements, JCC and its associates will abstain from voting at the EGM on the resolutions in respect of the Agreements and the Proposed Caps.

A notice convening the EGM to be held at the Conference Room of the Company at JCC International Plaza, 7666 Chang Dong Avenue, High-tech Development Zone, Nanchang, Jiangxi, the PRC at 2:30 p.m. on Monday, 7 December 2020 is set out on pages 80 to 82 of this circular.

If you intend to attend the EGM, please complete and return the accompanying reply slip in accordance with the instructions printed thereon as soon as possible and in any event by not later than Friday, 27 November 2020.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s H Share registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be the close of business on Thursday, 26 November 2020. All transfer documents accompanied by the relevant share certificates, must be lodged with the H Share registrar of the Company, Hong Kong Registrars Limited, whose address is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 26 November 2020.

LETTER FROM THE BOARD

X. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 34 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Agreements and the Proposed Caps, and the letter of advice from Lego, the text of which is set out on pages 35 to 76 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the ordinary resolutions approving the Agreements and the Proposed Caps.

The Board considers that the proposed resolutions concerning the Agreements and the Proposed Caps are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

XI. FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
Zheng Gaoqing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



江西銅業股份有限公司 JIANGXI COPPER COMPANY LIMITED

(a Sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 0358)

10 November 2020

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Agreements and the Proposed Caps, details of which are set out in the letter from the Board in the circular of the Company dated 10 November 2020 (the “**Circular**”) to the Shareholders, in which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Having taken into account terms of the Agreements and the advice and recommendation of Lego, we consider that the terms of the Agreements and the Proposed Caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned, the transactions contemplated under the Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group, and the Agreements are conducted in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the EGM to approve the Agreements and the Proposed Caps.

Yours faithfully,

Tu Shutian **Liu Xike**
Liu Erh Fei **Zhu Xingwen**
Independent Board Committee

LETTER FROM LEGO

The following is the full text of a letter of advice from Lego Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreements and the transactions contemplated thereunder (including the Proposed Caps).



10 November 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreements and the transactions contemplated thereunder (including the Proposed Caps), details of which are set out in the “Letter from the Board” (the “**Letter**”) contained in the circular dated 10 November 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the 2017 Announcement and the 2017 Circular in relation to, among other things, the continuing connected transactions of the Company contemplated under the 2017 Agreements. As the 2017 Agreements and their respective annual caps will expire on 31 December 2020 and the Group intends to continue to carry on the transactions under the 2017 Agreements, the Company has entered into the Agreements with JCC on 27 September 2020.

JCC is a substantial shareholder holding approximately 43.72% of the total issued share capital of the Company and therefore JCC is a connected person of the Company under the Listing Rules. Accordingly, the Continuing Connected Transactions contemplated under the Agreement 1 and the Agreement 2 shall constitute continuing connected transactions of the Company and will therefore be subject to the requirements under Chapter 14A of the Listing Rules. Pursuant to IFRS 16, the Group will recognise the right-of-use assets in relation to the Land Use Rights Leasing Agreement, therefore, the transaction contemplated thereunder shall constitute acquisition of assets and connected transaction of the Company, and will therefore also be subject to the requirements under Chapter 14A of the Listing Rules.

LETTER FROM LEGO

As one of the Percentage Ratios in respect of the maximum amount of the Proposed Caps of the continuing connected transactions contemplated under the Agreement 1 and the Agreement 2 exceeds 5% respectively, therefore they are subject to the reporting, announcement and Independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules. The transactions contemplated under the Agreements are also subject to Independent Shareholders' approval under the SSE Listing Rules.

The transactions contemplated under the Agreements will be subject to obtaining of approvals from the Independent Shareholders at the EGM to approve, inter alia, the Agreements and the transactions contemplated thereunder and the Proposed Caps for the Agreement 1 and the Agreement 2, in which JCC and its associates will abstain from voting.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tu Shutian, Mr. Liu Erh Fei, Mr. Liu Xike and Mr. Zhu Xingwen, has been formed in accordance with the Listing Rules to advise the Independent Shareholders as to whether the terms of the Agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group, whether the terms of the Agreements and the transactions contemplated thereunder (including the respective Proposed Caps) are fair and reasonable so far as the Company and Independent Shareholders are concerned and whether such terms are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder (including the respective Proposed Caps). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or JCC that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no engagement between the Group and Lego Corporate Finance Limited. 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 have received or will receive any fees or benefits from the Company or JCC. Accordingly, we are qualified to give independent advice in respect of the Agreements and the transactions contemplated thereunder (including the Proposed Caps).

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); 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 the 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 the Circular are true at the time

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they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the 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, the management of the Group, and/or the advisers of the Company. 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 the 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 the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the 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 Company or JCC or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

A. AGREEMENT 1

1. Background to and reasons for and benefits of entering into the Agreement 1

Reference is made to the 2017 Announcement and the 2017 Circular in respect of the 2017 Consolidated Supply and Services Agreement I.

As the 2017 Consolidated Supply and Services Agreement I will expire on 31 December 2020 and the Group and the JCC Group contemplate to continue to conduct the continuing connected transactions thereunder, the Company entered into the Agreement 1 on 27 September 2020 with JCC in relation to, among others, the supply of various materials and provision of consolidated services by the JCC Group to the Group for a term of three years commencing from 1 January 2021 to 31 December 2023.

The principal business of the Group covers copper and gold mining and dressing, smelting and processing, extraction and processing of scattered metals, sulphuric chemistry as well as finance and trading fields. The Company has five 100% owned mines under production, namely Dexing Copper Mine (including copper factory mining area, Fujiawu mining area and Zhushahong mining area), Yongping Copper Mine, Chengmenshan Copper Mine (including Jinjiwo Silver-Copper Mine), Wushan Copper Mine, and Yinshan Mining Company, and a number of relevant production facilities, including three smelters and eight modern copper

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products processing plants. The Company also holds approximately 29.99% equity interest of Shandong Humon Smelting Co., Ltd. (“**Humon Smelting**”), which is mainly engaged in the exploration, mining, dressing, smelting and chemical production of gold and is a national key gold smelting enterprise. The main products of the Group include more than 50 varieties of products, such as Copper Cathode, gold, silver, sulphuric acid, copper rod, copper tube, copper foil, selenium, tellurium, rhenium and bismuth, etc.

JCC is a state-owned enterprise and the holding company of the Company. The de facto controller of JCC is Stated-owned Asset Supervision and Administrative Commission of Jiangxi Province. The principal business of JCC covers non-ferrous mines, non-metal mines and non-ferrous smelting and rolling processed products. JCC undertakes the construction of overseas non-ferrous industry and domestic international tendering construction, the necessary equipment for the abovementioned overseas construction, export of materials and the necessary labour sent to overseas for the implementation of the abovementioned overseas construction.

Pursuant to the Agreement 1, the JCC Group will provide to the Group certain materials required for the production and/or operation of the Group. These materials will mainly include the following:

- a. Copper Concentrate and gold, silver and sulfur contents contained therein;
- b. materials such as rubber products, emulsifiers, pigments and sacks produced or processed by JCC Group and other auxiliary materials (such as loose stones, limestone, bamboo and scrap steel) which are required for the production of the Group’s products;
- c. spare parts and processing parts including but not limited to machinery components such as mining spare parts, high manganese steel casting, iron-casting, steel-casting, cold welding components, sand pumps, switch boxes and other spare parts and processing parts (non-standard items) (including but not limited to roller, liner, etc.) which are required for the production of the Group’s products; and
- d. gold doré and silver produced from the smelting of lead concentrate and zinc concentrate.

As discussed in the Letter, with the increase in production capacity of the Group, demand for raw materials increased accordingly. By taking advantage of the existing market resources of the JCC Group, the Group can establish networks of sales and outsourcing raw material of copper, and obtain stable supply channels for raw materials.

We were advised by the Management that Copper Concentrate, being one of the major materials to be supplied by the JCC Group to the Group pursuant to the Agreement 1, is the major material to the production of Copper Cathode, which is one of the major products of

LETTER FROM LEGO

the Group. As disclosed in the Company's annual report for the year ended 31 December 2019 (the "**2019 Annual Report**"), the Group produced approximately 1,556,000 tonnes of Copper Cathode, which was the largest revenue source by product of the Group and accounted for approximately 57.0% to the Group's total revenue for the year. However, the Group had only produced copper contained in self-produced copper concentrate of approximately 209,000 tonnes in 2019. As advised by the Management, in view of the limited quantity of self-produced raw materials, in particular Copper Concentrate which is a major material to the production of Copper Cathode, the Group has to source raw materials, including but not limited to Copper Concentrate from other suppliers, including the JCC Group, for production of Copper Cathode.

Gold, silver and sulfur contents contained in Copper Concentrate are being processed and extracted during the production process. The Management advised that gold, silver and sulfur contents in Copper Concentrate are incidental to the production of Copper Concentrate, and therefore the Group shall purchase such contents so that the processed and extracted products (together with Copper Concentrate) can be sold in the market and generate revenue for the Group. Further, during the production and/or operational process, the Group also requires ancillary materials, spare parts, processing parts, gold doré and silver.

We are of the view that the entering into of a long term supply agreement with JCC will ensure the stable supply of raw materials, ancillary materials, spare parts, processing parts, gold doré and silver to facilitate the production of the Group, which will in turn ensure the smooth operation of the Group's business. Particularly, as advised by the Management, there have been no material shortage or quality issues of the raw materials, ancillary materials, spare parts, processing parts, gold doré and silver supplied from the JCC Group to the Group throughout the years of business relationships between the parties, which deter the Group to continue to source from the JCC Group. The JCC Group, being one of the major players in the copper industry in the PRC, has established extensive sourcing network. The Management believes that, by leveraging on the JCC Group's market resources, the Group would be able to obtain stable supply channels of raw materials and save costs in establishing its own sourcing network for those materials. Meanwhile, economies of scale can be achieved by consolidating the procurement of those materials in bulk through the JCC Group, which lead to the effective control of the average purchase cost of materials.

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Pursuant to the Agreement 1, the JCC Group will also provide the following supportive services to the Group:

- a. entrusted processing services;
- b. machinery and electrical equipment repair services;
- c. construction and installation services;
- d. futures brokerage services;
- e. services of public facilities;
- f. provision of social services;
- g. environmental hygiene and greenery services;
- h. professional technical education services;
- i. labour services; and
- j. off-site communication services.

As discussed in the Letter, the Group will benefit from several supportive integrated services provided by the JCC Group to the Group for its normal business operation, including repair services and construction services, which will enhance the Group's operation and minimise the costs of arranging manpower to provide repair services and construction services by the Group. As advised by the Management, although the supportive services to be provided by the JCC Group to the Group under the Agreement 1 are not directly related to the core business of the Group, they are essential to facilitate the smooth and stable business operations of the Group. In particular, the JCC Group and the Group possess different construction qualifications (such as smelting supporting construction and mine construction), expertise and knowledge in machinery and electrical equipment in the mining industry, where the Group requires certain construction and installation services, machinery and electrical equipment and the corresponding repair services depending on operating needs and geographical locations. The Directors believe that by leveraging on the JCC Group's existing resources, the Group would be able to minimise the cost of establishing its own team with qualifications and expertise to handle repair and maintenance, construction and other miscellaneous services for its operation in all geographical locations, while the Group can better allocate its resources on its core business operations. We are of the view that the entering into of a long term services agreement with JCC will allow the Group to secure the stable provision of these supportive integrated services from the JCC Group, which in turn facilitate the smooth and stable business operations of the Group.

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We noted that the JCC Group has been supplying the aforesaid materials and providing the aforesaid supportive integrated services to the Group since 1997. In view of the long cooperation history with the JCC Group, the JCC Group possesses the relevant experiences for the relevant supply of materials and services and has better understanding of the needs of the Group, which will supply materials and services in a more cost-effective and efficient manner than those rendered by other suppliers.

In view of the reasons above, we are of the view that the entering into of the Agreement 1 is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Agreement 1

Pricing and payment term

Pursuant to the Agreement 1, if applicable, terms provided by JCC in relation to the supply of various materials and the provision of services under the Agreement 1 will be no less favourable than terms provided by Independent Third Parties in respect of similar materials and services (as the case may be). In addition, the Company will have the option to obtain such materials and services from Independent Third Parties if it is in the interest of the Company after comparing the terms provided by JCC and Independent Third Parties. In particular, the pricing bases of the transactions contemplated under the Agreement 1 are set out below:

Supply of Copper Concentrate

JCC agreed to supply the Group with Copper Concentrate at a price by making reference to the market prices of Copper Concentrate of the same quality. The price is determined with reference to the open market price of copper listed on the Shanghai Futures Exchange (<http://www.shfe.com.cn/>), London Metal Exchange (<http://www.lme.com/>), Shanghai Gold Exchange (<http://www.en.sge.com.cn/>) and Changjiang Non-Ferrous Metal Spot* (長江有色金屬現貨) (<http://www.ccmn.cn>), etc. In addition, JCC agreed to grant the Group the right of first refusal to purchase the Copper Concentrate from the JCC Group at prices no less favourable than the prices that the Group can otherwise obtain in the market.

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Supply of gold, silver and sulfur contents contained in Copper Concentrate

JCC agreed to supply the Group with gold, silver and sulfur contents contained in Copper Concentrate at a price by making reference to the market prices of gold, silver and sulfur contents contained in Copper Concentrate of the same quality. The price of gold and silver contents contained in Copper Concentrate is determined with reference to the open market price of gold and silver listed on the Shanghai Futures Exchange (<http://www.shfe.com.cn/>), London Metal Exchange (<http://www.lme.com/>), Shanghai Gold Exchange (<http://www.en.sge.com.cn/>) and Changjiang Non-Ferrous Metal Spot* (長江有色金屬現貨) (<http://www.ccmn.cn>), etc.

For sulfur contents contained in Copper Concentrate, apart from purchasing from JCC, the Company will also purchase from other suppliers within mainland China. In determining the price of sulfur contents contained in Copper Concentrate, the Company will make reference to and ensure that the price to be offered to the Company will not be higher than the price offered by at least two Independent Third Parties when entering into the agreement with JCC.

Supply of auxiliary materials which are required for the production of the Group's products

JCC agreed to supply the Group with auxiliary materials such as rubber products, emulsifiers, pigments and sacks produced or processed by JCC Group and other auxiliary materials (such as loose stones, limestone, bamboo and scrap steel) which are required for the production of the Group's products at prices making reference to the prices in the local market to which such products are delivered (i.e. the quotation offered by at least two suppliers who are Independent Third Parties, for similar auxiliary materials). When there are no such prices, prices are charged no higher than the prices charged by the JCC Group on its members or cost plus applicable taxes. In any event, such prices shall not be higher than that offered by the Independent Third Parties to the Group, where applicable.

The Group shall pay 80% of the total amount of purchase of the ancillary materials to the JCC Group within 7 days of receipt of such materials and the remaining 20% of the total amount of the materials to the JCC Group upon satisfactory inspection of such materials.

LETTER FROM LEGO

Supply of spare parts and processing parts which are required for the production of the Group's products

JCC agreed to supply the Group with spare parts and processing parts including but not limited to machinery components such as mining spare parts, high manganese steel casting, iron casting, steel casting, cold welding components, sand pumps, switch boxes and other spare parts and additional parts (non standard items) such as roller and liner. The price for spare parts is calculated based on the then local market prices of such products. In determining the price for spare parts, the Company will obtain the local market prices through market survey, mainly by making reference to prices of steel, copper or other metals as quoted on Changjiang Non-Ferrous Metal Spot* (長江有色金屬現貨) (<http://www.ccmn.cn/>) and Shanghai Futures Exchange (<http://www.shfe.com.cn/>) for estimation of prices of metallic spare parts. The Company will also make reference to quotations for non-metallic spare parts and processing parts offered by at least two suppliers who are Independent Third Parties. Where there are no such prices, prices are charged no more than the prices charged by the JCC Group on its members. If JCC Group does not supply spare parts to its members, the prices will be calculated based on the costs of the spare parts and processing parts plus applicable taxes payable to the PRC government. In any event, such prices shall not be higher than that offered by the Independent Third Parties to the Group, where applicable.

The Group shall pay 80% of the total amount of purchase of the spare parts and processing parts to the JCC Group within 7 days of receipt of such materials and the remaining 20% of the total amount of such materials to the JCC Group upon satisfactory inspection of such materials.

Supply of gold doré and silver produced from the smelting of lead concentrate and zinc concentrate

JCC agreed to provide the Group with gold doré and silver produced from the smelting of lead concentrate and zinc concentrate at a price based on the prices as listed on the Shanghai Gold Exchange (<http://www.en.sge.com.cn/>) and Ebaiyin.com (<http://www.ebaiyin.com>) as benchmark price, and will not be higher than the market prices. In addition, JCC agreed to grant to the Group the right of first refusal to purchase the gold doré and silver from JCC Group.

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Entrusted processing services

JCC agreed to provide material processing services to the Company, mainly including (i) crushing processing of the waste refractory brick materials used by the Company in production and returning the materials containing valuable elements such as magnesium, chromium and copper to the Company for external sales; and (ii) providing dismantling and processing services of the Blister Copper wastes to the Company.

The fees for these services payable by the Company shall be determined by making reference to the situation of similar industry and market price standards in the local market. However, the demand for such processing services only comes from major mining companies, as such, the demand is limited in each province, leading to limited options of suppliers. Given that JCC possesses the relevant capabilities and experience and in view of limited options of service providers within the province, the Company has been entrusting the JCC Group to provide the material processing services. As market price is not publicly available in the market, the service fee will be calculated based on its costs plus relevant taxes and applicable profit margin. The applicable profit margin will be calculated with reference to the difference in value between the valuable materials obtained after processing (with reference to the monthly average closing price of copper as quoted on the Shanghai Futures Exchange) and the waste materials before processing (with reference to the price charged by the Company on Independent Third Parties for the sale of comparable materials). The average applicable profit margin is estimated to be around 15%.

Machinery and electrical equipment repair services

JCC agreed to provide machinery and electrical equipment repair services to the Group. The Group shall pay the machinery and electrical equipment repair services fees to JCC monthly.

As the Group is a large scale industrial enterprise, repair of machinery and electrical equipment needs to be completed within a short period of time in order to avoid any loss caused by disruption. Therefore, determination of price by way of public tender or obtaining fee quotation may not be in the best interests of the Group as it takes longer time. PRC government prescribed prices are the most recognised public information available for reference which is generally reflective of market price. For those services with the PRC government prescribed prices, the fees will be determined with reference to the published PRC government prescribed prices under the Non-standard Equipment Pricing Measures for Nonferrous Metal Industry* 《有色金屬工業非標準設備定價辦法》 of the Nonferrous Metal Industry Construction Works Budget Standard Price 2019* (2019 版《有色金屬工業建設工程預算定額》) issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) in 2019, which are updated by the relevant PRC central or provincial government

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departments from time to time. However, sometimes the PRC government prescribed prices may not reflect the market price and thus may not be applicable. The Company will check against the prices charged by at least two Independent Third Parties providing similar services to the Company from time to time to determine its applicability.

When the PRC government prescribed prices are not applicable and for those services with no PRC government prescribed prices, the Company will check the industry pricing of similar services at local market through information obtained within the industry and make reference to it as well as the historical pricing based on previous operation experience and current market pricing to determine the price. If such industry or market pricing is unavailable or for those services with no industry or market pricing, the Company shall determine the price based on a price not higher than that offered by the JCC Group to its members or based on costs plus applicable taxes (whichever is lower). In any event, such prices shall not be higher than that offered by Independent Third Parties to the Group, where applicable.

Construction and installation services

JCC agreed to provide construction and installation services to the Group, including but not limited to construction of factories, office buildings and waste dumps construction services. As the PRC government prescribed prices are the most recognised public information available for reference which is generally reflective of market price, so for those services with the PRC government prescribed prices, the fees shall be not more than the price prescribed under the Jiangxi Province Standard Price of Projects 2017* (2017版《江西省建設工程定額》) issued by the Department of Housing and Urban Rural Development of Jiangxi Province* (江西省住房和城鄉建設廳) which came into effect on 1 December 2017; the Code of Bills of Quantities and Valuation for Construction Works* (GB50500-2013) (《建築工程工程量清單計價規範》(GB50500-2013)) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部) which came into effect on 1 July 2013; or the Non-ferrous Metal Industry Construction Works Budget Standard Price 2019* (2019版《有色金屬工業建設工程預算定額》) issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) which came into effect from 29 November 2019, which are updated by the relevant PRC central or provincial government departments from time to time. However, sometimes the PRC government prescribed prices may not reflect the market price and thus may not be applicable. The Company will check against the prices charged by at least two Independent Third Parties providing similar services to the Company from time to time to determine its applicability.

When the PRC government prescribed prices are not applicable and for those services with no PRC government prescribed prices, the Company will check the industry pricing of similar services at local market through information obtained within the industry and make reference

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to it as well as the historical pricing based on previous operation experience and current market pricing to determine the price. If such industry or market pricing is unavailable or for those services with no industry or market pricing, the Company shall determine the price based on a price not higher than that offered by the JCC Group to its members or based on costs plus applicable taxes (whichever is lower). In any event, the price shall not be higher than that offered by Independent Third Parties to the Group, where applicable.

The Group shall pay service charges to the JCC Group according to the progress of the projects.

Futures brokerage services

JCC agreed to provide the brokerage services to the Group. The Company agreed to pay the JCC Group for such agency services at the lower of the current market rate (with reference to the rate charged by Jinrui Futures Co., Ltd. (金瑞期貨經紀有限公司), a subsidiary of JCC which is principally engaged in the provision of futures, options and other derivative products business, to its external independent clients) and the rate charged by the JCC Group to its members after the completion of each futures transaction.

Services of public facilities for living and production

JCC agreed to allow the Company to enjoy the public facilities in the residential area and production facilities. Regarding the public facilities in the residential area, the Company and JCC agreed to share the costs in accordance with the actual usage and the proportion of the number of employees registered in JCC and the Company as at the end of the previous year. Regarding the production facilities for the exclusive use of the Company, it is agreed that the Group will be responsible for the actual cost incurred by the Group in using the production facilities. In respect of those production facilities used by the Group and the JCC Group jointly, the Company and JCC agreed to share the actual costs on a pro rata basis with reference to their respective assets. The Company agreed to pay to JCC such costs once every calendar month and to settle at the year end in accordance with the actual situation.

Provision of social services

JCC agreed to provide social services to the employees of the Group such as employee medical services, catering services during working hours and coal gas supplies services, and the Company shall reimburse JCC the actual amount incurred by JCC, provided that such amount shall be no more than 14% of the total annual remuneration of all employees of the Group.

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As advised by the Management, if the actual amount incurred by JCC exceeds more than 14% of the total annual remuneration of all employees of the Group, the Group is only required to pay 14% of the total annual remuneration of all employees of the Group. Based on historical records, the actual amount incurred by JCC in previous years has not exceeded 14% of the total annual remuneration of all employees of the Group. The Group shall prepay one-twelfth of the annual fees for the social services to the JCC Group on a monthly basis and settle the balance at the end of each year.

As advised by the Management, the pre-paid amounts are determined with reference to the actual amounts incurred by JCC in the previous year. If the actual amounts incurred by JCC are less than the actual amounts pre-paid by the Group at the end of the year, the excess will be carried forward to the next following year as the pre-payment of the services fee during the term of the agreement. If the term of the agreement expires, the excess will be returned by JCC to the Group.

The social services provided by the JCC Group to the Group are as follows:

- (i) JCC will provide water and electricity supply services to the Group's employee at the purchase price while the operation costs will be deducted from the welfares provided by the Group to JCC; and
- (ii) JCC will provide catering services to the Group's employee at a favourable rate while the water and electricity expenses are included in the budget and will be deducted from the meal expenses provided by the Group to the canteen of JCC.

Environmental hygiene and greenery services

JCC agreed to provide environmental hygiene and greenery services such as hygiene and greenery services at the roads of the living area, hygiene services of family buildings, cleaning of septic tanks and maintenance of plants and trees in the living area. The Company has agreed to reimburse the JCC Group on a monthly basis the actual cost of such environmental hygiene and greenery services on a pro rata headcount basis. The Company shall prepay one-twelfth of the service fee to JCC each month and settle the balance at the end of each year.

As advised by the Management, the pre-paid amounts are determined with reference to the actual amounts incurred by JCC in the previous year. If the actual annual amounts incurred by JCC are less than the pre-paid fee at the end of the year, the excess will be carried forward to the next following year as the pre-payment of the services fee during the term of the agreement. If the term of the agreement expires, the excess will be returned by JCC to the Group.

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Professional technical education services

JCC agreed to provide the Group's employees the education services, such as staff education and technical training courses, at a fee based on the following:

- a. for staff education expenses, the estimated annual budget for staff education and training expenses will be 2.5% of the total salary of the employees of the Company in the previous year. The Company shall pay the actual amount of training expenses to the JCC Group within such estimated budget; and
- b. for professional technical education expenses, the estimated annual budget for the following year will be determined in the current year. The students will be charged the costs of living and studying materials while all other costs will be counted into the budgets for the professional technical training courses. The education expenses include the actual expenses and the cost of items such as salaries of teaching staff, bonuses, welfares, training, labour insurance, depreciation of school's fixed assets, maintenance fees, office supplies, examination, academic exchanges, travelling expenses and student internship expenses.

In the event that the Company no longer requires the provision of education services by JCC, the Company shall provide a twelve months' notice in writing to JCC prior to the termination. If, in accordance with the national requirements or requirements of the relevant Jiangxi province governmental bodies, the provision of such education services is transferred from JCC and its subordinate institutions to the education departments of the areas governing JCC, JCC will stop providing such education services, and at the same time, the Company will stop paying the fees in relation to such education services.

Labour services

JCC agreed to provide labour services, such as loading, unloading and transporting services of various materials for production and sale, to the Company. The Company will make public enquiry with at least two similar service providers in the market, which are Independent Third Parties, as to the fees of such services and determine the pricing terms based on the quotations obtained. Where there are no quotation as mentioned above, the Company will make reference to the annual remuneration of employees hired for similar labour services plus relevant materials costs and taxes to determine the fees charged for such services. The fees for these services shall be payable by the Company on a monthly basis.

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Off-site communication services

JCC agreed to provide to the Company off-site communication services, such as acting as the communication channel with relevant regulatory authorities and reception of staff. The Company agreed to reimburse the JCC Group on a monthly basis the actual cost such as salaries, bonuses, welfare, trainings, labour insurance, depreciations and other administrative costs, for operating such services on a pro rata basis with reference to their respective asset values. The Company shall pay one-twelfth of the budget service fee to JCC each month and settle the balance at the end of each year in accordance with the actual condition. The budget fees are determined with reference to the actual costs incurred by JCC in the previous year.

Under the Agreement 1, prices charged by JCC in relation to the supply of materials are determined with reference to (i) market price; (ii) purchase price; (iii) sourcing expense; (iv) price charged by the JCC Group on its members; and/or (v) costs plus applicable taxes payable to the PRC government. For the provision of services, the fees charged by JCC are determined with reference to (i) market price; (ii) industry price/market standards; (iii) costs plus applicable taxes payable to the PRC government; (iv) price charged by the JCC Group to its members; (v) PRC government prescribed price; and/or (vi) actual cost.

For the prices charged by JCC in relation to the supply of various materials including, among others, Copper Concentrate, gold, silver and sulfur contained in Copper Concentrate, gold doré and silver, they are determined with reference to open market price on the Shanghai Futures Exchange, London Metal Exchange, Shanghai Gold Exchange, Changjiang Non-Ferrous Metal Spot and/or Ebaiyin.com, which are the exchanges or public quotation sources for metals trading, or prices from Independent Third Parties. For the future brokerage services provided by JCC, the prices of such services are determined with reference to the lower of the current market rate (with reference to the rate charged by Jinrui Futures Co., Ltd. (金瑞期貨經紀有限公司), a subsidiary of JCC which is principally engaged in the provision of futures, options and other derivative products business, to its external independent clients) and the rate charged by the JCC Group to its members after the completion of each futures transaction. It is also noted that the pricing terms of the transactions contemplated under the Agreement 1 are substantially similar to the pricing terms of the transactions contemplated under the 2017 Consolidated Supply and Services Agreement I. Based on the above, in particular, that (i) the pricing bases are determined where the market prices and industry prices are prioritised (if available); and (ii) the pricing terms are no less favorable to the Company than terms offered by Independent Third Parties, the Directors are of the view that the pricing terms are fair and reasonable and on normal commercial terms.

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We have obtained and reviewed up to three samples of agreements and invoices in respect of relevant historical transactions (where applicable) between the Group and the JCC Group under the 2017 Consolidated Supply and Services Agreement I. As advised by the Management, the agreements and invoices were standardised for each type of transactions under the 2017 Consolidated Supply and Services Agreement I. Based on our review of the sample agreements and invoices, we noted that the prices of the materials and services provided to the Group by the JCC Group were in line with the pricing mechanisms as mentioned in the Agreement 1. We have also obtained and reviewed up to three sample agreements entered into between the Group and Independent Third Parties in respect of the supply of similar materials and provision of similar services (if applicable) to the Group and the relevant invoices, where available. Based on our review of the sample agreements and invoices, we noted that the prices paid by the Group to the JCC Group were no less favourable to the Group than prices paid to Independent Third Parties. We also noted that the payment terms under the Agreement 1 are no less favourable to the Group than those under the aforesaid sample agreements entered into with Independent Third Parties.

Given that the terms provided by the JCC Group in relation to the supply of various materials and the provision of services under the Agreement 1 will be no less favourable than terms offered by Independent Third Parties in respect of similar materials and services, and that the prices are generally determined with reference to the PRC government prescribed rates, market reference prices, prices charged by the JCC Group to its members, costs plus relevant tax, or a combination of certain pricing bases as mentioned above, we concur with the view of the Directors that the pricing bases of the transactions contemplated under the Agreement 1 are fair and reasonable and on normal commercial terms.

Other terms

The transactions contemplated under the Agreement 1 will be conducted on an on-demand basis, which the Company has no commitment on the level of procurement of materials and usage of services, and will not incur any costs if there is no procurement of materials and/or usage of services for each of the three years ending 31 December 2023.

We have reviewed other major terms of the Agreement 1 and are not aware of any terms which are exceptional to normal market practice in respect of the similar type of agreements.

Based on the above, we are of the opinion that the terms of the Agreement 1 are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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3. Annual caps for the transactions under the Agreement 1 for the three years ending 31 December 2023 (the “Annual Caps 1”)

Set out below are the historical transaction amounts under the 2017 Consolidated Supply and Services Agreement I for the two years ended 31 December 2019 and the six months ended 30 June 2020 and the Annual Caps 1:

	For the year ended 31 December 2018 <i>(RMB'million)</i> <i>(Actual)</i>	For the year ended 31 December 2019 <i>(RMB'million)</i> <i>(Actual)</i>	For the six months ended 30 June 2020 <i>(RMB'million)</i> <i>(Actual)</i>	For the year ending 31 December 2021 <i>(RMB'million)</i> <i>(Cap)</i>	For the year ending 31 December 2022 <i>(RMB'million)</i> <i>(Cap)</i>	For the year ending 31 December 2023 <i>(RMB'million)</i> <i>(Cap)</i>
Transaction amount	442.3	493.5	235.1	N/A	N/A	N/A
Annual cap (excluding the proposed annual cap attributable to purchase of gold doré and silver for export)	N/A	N/A	N/A	481.6	519.7	614.4
Annual cap (attributable to purchase of gold doré and silver for export)	N/A	N/A	N/A	1,629.7	1,629.1	1,629.7
Total annual cap	<u>502.1</u>	<u>502.4</u>	<u>507.7</u>	<u>2,111.3</u>	<u>2,148.8</u>	<u>2,244.1</u>
Utilisation rate	<u>88.1%</u>	<u>98.2%</u>	<u>92.6% (Note)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note: The estimated utilisation rate for the year ending 31 December 2020 is calculated by dividing the annualised transaction amount for the six months ended 30 June 2020 by the annual cap for the year ending 31 December 2020.

Review of historical transaction amount

We noted that the utilisation rates of the annual caps under the 2017 Consolidated Supply and Services Agreement I were generally high for the two years ended 31 December 2019 and the six months ended 30 June 2020. For the year ended 31 December 2019, the transaction amounts increased by approximately 11.6% as compared to that for the year ended 31 December 2018, which was generally in line with the increase in the Group’s revenue and cost of sales of approximately 11.8% and 11.4% for the year, respectively. We were advised by the Management that the increase in transaction amount for the year ended 31 December 2019 was mainly due to the Group’s surge in demand for repair and maintenance services and construction services as a result of the completion of thorough overhaul in relation to the production facilities of Guixi Smelter of the Group during the year.

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The annualised transaction amount for the six months ended 30 June 2020 was generally consistent with that for the year ended 31 December 2019, which represented approximately 95.3% of the transaction amount for the year ended 31 December 2019. As advised by the Management, such stable transaction amount for the six months ended 30 June 2020 was primarily due to the combined effect of (i) the increase in supply of auxiliary materials from the JCC Group for the six months ended 30 June 2020 as compared to the corresponding period in 2019, which was primarily due to the increase in purchase of gold and silver as a result of the Group's acquisition of approximately 29.99% equity interests in Humon Smelting, which has further enhanced the production capacity of the Group; and (ii) the decrease in provision for social services, including but not limited to welfare and health care services, from the JCC Group to the Group as the PRC government has taken the responsibility to provide these social services as a result of the change of regulations in the PRC.

Assessment of the Annual Caps 1

As stated in the Letter, the Annual Caps 1 were determined by the Company with reference to (i) the historical transaction amounts under the 2017 Consolidated Supply and Services Agreement I; and (ii) the proposed expansion of the Group's business of exporting gold doré and silver, and the proposed purchase of gold doré and silver from the JCC Group in the coming three years to conduct such business.

We noted that there is a substantial increase of the Annual Caps 1, which represented more than four times of the annual caps under the 2017 Consolidated Supply and Services Agreement I. We have discussed with the Management on the bases and assumptions adopted in determining the Annual Caps 1. We were advised by the Management that the increase in the Annual Cap 1 was primarily due to the proposed expansion of the Group's business of exporting gold doré and silver, which will result in significant increase in demand for gold doré and silver from the JCC Group. As illustrated in the table above, excluding the proposed purchase of gold doré and silver from the JCC Group to cater for the proposed expansion of this business segment, the Annual Cap 1 in respect of the purchase of the relevant materials and procurement of the relevant services would be generally consistent with the annual caps under the 2017 Consolidated Supply and Services Agreement I.

As the Annual Caps 1 were determined by the Company with reference to the historical transaction amounts under the 2017 Consolidated Supply and Services Agreement I, the proposed Annual Caps 1 (excluding the proposed purchase of gold doré and silver) for the year ending 31 December 2021 generally represents a combined result of (i) the aggregate of the highest transaction amount of material and service item under the 2017 Consolidated

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Supply and Services Agreement I for the two years ended 31 December 2019 and the six months ended 30 June 2020 (on an annualised basis); and (ii) the anticipated transaction amount of certain material and service items in consideration of the expected production volume or procurement, with certain items adopting approximately 10% increment as a buffer to cater for the combined effect of the possible increase in the price of various materials and the increase in the expected purchase quantity of materials. The higher Annual Caps 1 (excluding the proposed purchase of gold doré and silver) for the year ending 31 December 2023 as compared to those of the year ending 31 December 2021 and 2022 was primarily due to the higher anticipated production volume of the Group, taking into account the business and operational expansion of the Group, which will result in higher demand for the relevant materials and services to be provided from the JCC Group. With the relatively high level of utilisation of the annual caps under the 2017 Consolidated Supply and Services Agreement I, we consider the buffer is reasonable and not excessive. Including in the Annual Caps 1, it is anticipated that the annual transaction amount for the purchase of gold doré and silver under the Agreement 1 for the three years ending 31 December 2023 will be approximately RMB1,629.7 million.

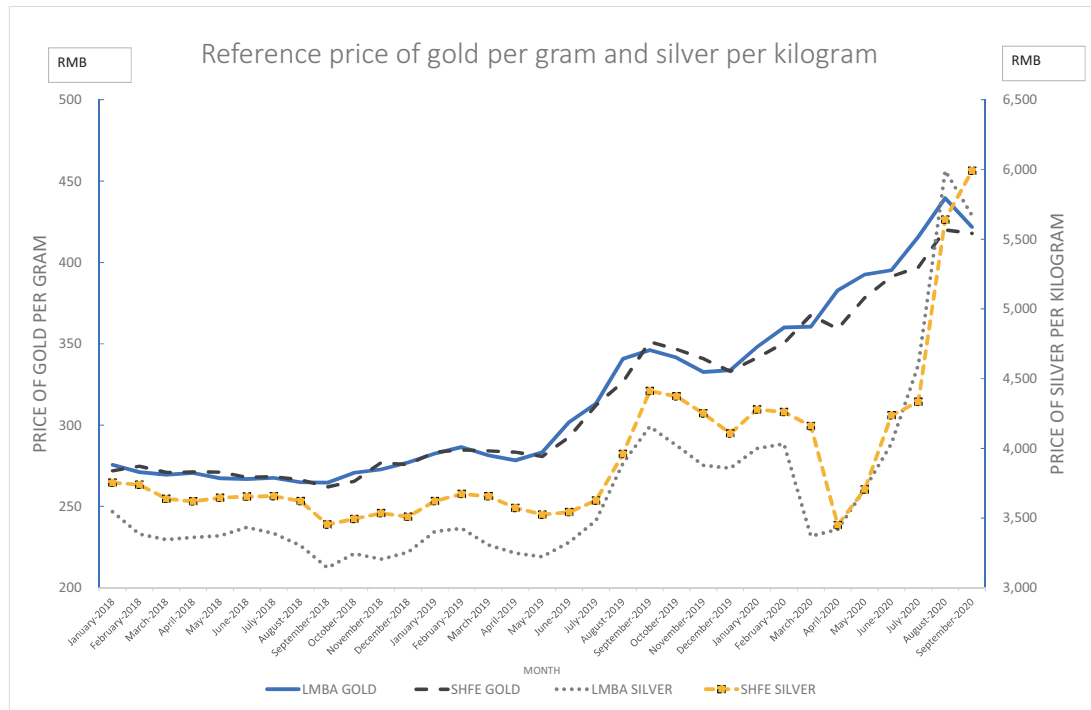
In assessing the reasonableness of the Annual Caps 1, we have considered the business performance of the Group in recent years. The Group's revenue increased by approximately 5.0% from approximately RMB204.2 billion for the year ended 31 December 2017 to approximately RMB214.4 billion for the year ended 31 December 2018, and further increased by approximately 11.8% to approximately RMB239.6 billion for the year ended 31 December 2019, which was primarily due to the increase in revenue generated from sales of Copper Cathodes and gold. For the six months ended 30 June 2020, the Group's revenue increased by approximately 40.0% from approximately RMB104.7 billion for the six months ended 30 June 2019 to approximately RMB146.6 billion, which was primarily resulted from the increase in revenue generated from sales of Copper Cathodes, copper rods, gold and silver.

We have also reviewed the proposed production volume of the Group in 2021 to 2023, and noted that the proposed production volume of the major products, including but not limited to Copper Cathodes, processed copper products, gold and silver, are expected to grow for the relevant years. The higher production volume will increase the Group's demand for the relevant materials for production.

In respect of the business expansion for the export of gold doré and silver, we have discussed and understood from the Management that the market prices of gold doré and silver have surged in recent years, in particular in the first half of 2020, and there has been a market price difference of gold doré and silver between the PRC domestic market and the overseas market. These have created high potential and demand for gold doré and silver in the overseas market, which has in turn created a business opportunity for the Group to expand the export business of gold doré and silver.

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Set out below is the chart of the reference prices of gold per gram and silver per kilogram as quoted on the London Bullion Market Association (“LBMA”) and Shanghai Futures Exchange from January 2018 to September 2020.



Source: London Bullion Market Association (<http://www.lbma.org.uk/home>) and Shanghai Futures Exchange (<http://www.shfe.com.cn/en/>)

Note: For illustrative and comparison purpose, the reference prices of gold and silver as quoted on the LBMA were converted by adopting the average exchange rate of USD to RMB during the relevant months and the conversion of 1 gram to 0.0322 troy ounce and 1 kilogram to 32.1507 troy ounces.

As illustrated in the chart above, it is noted that the reference prices of gold and silver as quoted on the LBMA and Shanghai Futures Exchange recorded a general upward trend from January 2018 to September 2020, in particular in the year 2020. For illustrative purpose, the reference prices of gold per gram as quoted on LBMA in September 2020 was approximately RMB422 while that as quoted on Shanghai Futures Exchange was only RMB418, and the reference prices of silver per kilogram as quoted on LBMA in September 2020 was approximately RMB5,671 while that as quoted on Shanghai Futures Exchange was only RMB5,991. From April to September 2020, both of the PRC domestic prices and overseas prices of gold and silver increased significantly and the gold and silver prices as quoted on LBMA was slightly higher than those quoted on Shanghai Futures Exchange. The Group considers that the market prices of gold and silver are volatile and there may be potential market price difference of gold and silver between the PRC domestic market and the overseas market. Therefore, by taking the opportunity of the upward price trend of gold and silver and the potential market price difference of gold and silver between PRC domestic market and the overseas market from time to time, the Group considers that there will be potential and demand for the Group’s export business of gold doré and silver.

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As further advised by the Management, the Group's business operation of exporting gold doré and silver is primarily conducted by its subsidiary in Hong Kong, which commenced such business in April 2020. As disclosed in the interim report of the Group for the six months ended 30 June 2020 (the **"2020 Interim Report"**), the Group's operating revenue from gold increased by approximately 2.8 times from approximately RMB3,920 million for the six months ended 30 June 2019 to approximately RMB14,839 million for the six months ended 30 June 2020. The operating costs from gold also increased by approximately 2.9 times from approximately RMB3,534 million for the six months ended 30 June 2019 to approximately RMB13,658 million for the six months ended 30 June 2020. Similarly, the Group's operating revenue from silver recorded substantial increase of approximately 3.6 times from approximately RMB1,386 million for the six months ended 30 June 2019 to approximately RMB6,405 million for the six months ended 30 June 2020, whereas the operating costs from silver increased by approximately 3.8 times from approximately RMB1,290 million for the six months ended 30 June 2019 to approximately RMB6,202 million for the six months ended 30 June 2020. The Management confirmed that the substantial increase in operating revenue and costs from gold and silver for the six months ended 30 June 2020 was primarily because of the expansion of the export business of gold doré and silver and the Group's acquisition of approximately 29.99% equity interests in Humon Smelting, which derived in higher sales and production of gold and silver of the Group. Such significant increases evidenced the market opportunities which the Group can capture and the contribution of the revenue growth of the Group.

In addition, we have enquired and obtained the relevant information of the clientele and historical sales amount for the export business of gold doré and silver conducted by the Group's subsidiary in Hong Kong from the Management. We noted that the Group's customers for its gold doré and silver export were generally scalable companies, including international banks and financial institutions. We further noted that the Group has developed the export business of gold doré and silver rapidly and achieved generally high sales amount for the period since the commencement of such export business in April 2020 and up to the Latest Practicable Date, which amounted to approximately USD214.6 million (equivalent to approximately RMB1,437.8 million). For illustrative purpose, such historical transaction amount of gold doré and silver export represented approximately 68.1% and 88.2% of the Annual Cap 1 and the Annual Cap 1 attributable to gold doré and silver export for the year ending 31 December 2021, receptively. Based on the historical sales amount of approximately USD214.6 million (equivalent to approximately RMB1,437.8 million) for the period since the commencement of the export business in April 2020 and up to the Latest Practicable Date, the illustrative annualised amount would already be higher than the Annual Cap 1 (attributable to purchase of gold doré and silver for export) for the year ending 31 December 2021 of approximately RMB1,629.7 million, which demonstrated the demand for gold doré and silver by the Group. Also, we noted that the average sales amount per transaction of the aforementioned transactions was generally high, which amounted to approximately USD14.3 million (equivalent to approximately RMB95.8 million). We were advised by the Management that taking into account the nature and value of gold doré and

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silver, the sales amount of each transaction would be substantial and hence the business scale of the gold doré and silver export is relatively large. In view of the proposed business expansion to source and engage additional customers, the Management considers that it is reasonable to expect that the sales amount for such business would grow and remain high for each of three years ending 31 December 2023, which will lead to increase in purchase of gold doré and silver by the Group.

We have also obtained and reviewed two sample agreements and invoices of the aforementioned transactions in respect of the export of gold doré and silver. Based on the samples reviewed, we were not aware of any inconsistency to the information provided by the Management.

For the supply of gold doré and silver in respect of the aforementioned sales transactions, we understood from the Management that the existing supply was primarily produced by the Group. We were advised by the Management that the Group's existing annual production capacity of gold and silver is approximately 80 tonnes and 1,025 tonnes. According to the 2019 Annual Report, the gold and silver produced by the Group were only approximately 50.2 tonnes and 646.8 tonnes for 2019, which represented approximately 62.8% and 63.1% of the Group's annual production capacity of gold and silver, respectively. It is further disclosed in the 2020 Interim Report that the Group's production of gold and silver was approximately 38.5 tonnes and 544.9 tonnes for the six months ended 30 June 2020, the annualized production of which represented approximately 96.2% and 106.3% of the annual production capacity for gold and silver of the Group, respectively. This evidenced the increase in production volume of gold and silver of the Group, which further substantiates the Group's surge in demand for gold and silver. Instead of solely relying on the Group's production of gold and silver, the Group intends to expand the supply source of gold doré and silver in order to cater for the proposed business expansion. In view of the rapid business expansion of the gold doré and silver export for the six months ended 30 June 2020 and the historical utilisation of the production capacity of gold and silver, the Group expects that the proposed purchase from the JCC Group could secure stable supply and expand supply source for the Group in order to cater for the growing demand for these products. Also, the expected purchase of gold doré and silver from the JCC Group is able to create the synergy effect, which the Group could focus on business development to explore additional business opportunities and expand the customer base. Given that gold doré and silver are high value products which require stringent quality control and standard of production, purchase of gold doré and silver from the JCC Group could allow the Group to have better control in quality and risk management.

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In view of the significant transaction amount of gold doré and silver since the commencement of the export business in April 2020 and the high utilisation of production capacity of the Group as detailed above, the Group expects that there will be high demand for purchase of gold doré and silver from the JCC Group to facilitate its on-going business operation for the year ending 31 December 2021. As the export business of gold doré is generally demand-driven, the Group further expects that the increasing gold and silver prices in the recent years will continue to substantiate the Group's business operations, and therefore the gold doré and silver export business is expected to be sustainable for the three years ending 31 December 2023.

Having considered (i) the increase in the production volume and revenue of the Group in recent years; (ii) the expected increase in the production volume in 2021 to 2023 due to the expected increase in the production capacity of the Group; (iii) that the materials and services to be provided under the Agreement 1 are essential for the production and operation of the Group, which falls within the ordinary business of the Group; (iv) that the proposed Annual Caps 1 in respect of the relevant materials and services (excluding gold doré and silver) generally make reference to the aggregate of the highest transaction amount of each material and service item under the 2017 Consolidated Supply and Services Agreement I during the two years ended 31 December 2019 and the six months ended 30 June 2020 (on an annualised basis); (v) the relatively high utilisation level of the annual caps under the 2017 Consolidated Supply and Services Agreement I; (vi) the Group's rapid business development regarding the sales of gold and silver for the six months ended 30 June 2020; (vii) the Group's historical sales amount in relation to the Group's export of gold doré and silver since commencement in April 2020 and the relevant high sales amount in average per transaction due to the nature and value of gold doré and silver; (viii) that the proposed purchase of gold doré and silver from the JCC Group could allow the Group to secure stable source of supply; and (ix) that the supply of the materials and provision of services will be conducted on normal commercial terms, we consider the Annual Caps 1 are fair and reasonable.

The Annual Caps 1 were determined by the Management based on assumptions including the increase in production volume. Accordingly, we express no opinion as to how closely the actual transaction amounts of the continuing connected transaction in comparison to the Annual Caps 1.

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B. AGREEMENT 2

1. Background to and reasons for and benefits of entering into the Agreement 2

Reference is made to the 2017 Announcement and the 2017 Circular in respect of the 2017 Consolidated Supply and Services Agreement II.

As the 2017 Consolidated Supply and Services Agreement II will expire on 31 December 2020 and that the Group and the JCC Group contemplate to continue to conduct the continuing connected transactions thereunder, the Company entered into the Agreement 2 on 27 September 2020 with JCC in relation to, among others, the supply of various materials and provision of consolidated services by the Company to the JCC Group for a term of three years commencing from 1 January 2021 to 31 December 2023.

Pursuant to the Agreement 2, the Company will provide to the JCC Group certain products, raw materials, auxiliary materials, spare products, spare parts, processing parts and waste materials required for the production of the JCC Group. These materials and auxiliary materials will mainly include the following:

- a. Copper Cathode and copper rod and wire;
- b. lead materials (lead concentrate, lead ingot and other materials containing lead);
- c. zinc materials (zinc concentrate, zinc ingot and other materials containing zinc);
- d. sulfuric acid and steel balls;
- e. waste materials (including but not limited to scrap materials and materials containing valuable elements such as slag and white smoke and dust generated from the smelting and production process); and
- f. auxiliary materials including but not limited to non-ferrous materials, chemical materials, diesel, steel, cement, wires and cables.

As disclosed in the 2019 Annual Report, Copper Cathode and copper rod and wire are the principal products of the Group. The Group produced approximately 1,556,000 tonnes of Copper Cathode and 1,197,000 tonnes of copper processing products for the year ended 31 December 2019, which in aggregate generated total revenue of approximately RMB186.3 billion and accounted for approximately 77.8% of the Group's total revenue for the year. As advised by the Management, lead materials, zinc materials and sulfuric acid and steel balls are the by-products of the principal products of the Group. Therefore, it is within the ordinary

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and usual course of business of the Group to sell Copper Cathode, copper rod and wire and the aforesaid by-products to the JCC Group, which will generate revenue for the Group.

As advised by the Management, waste materials (including but not limited to scrap materials and materials containing valuable elements such as slag and white smoke and dust generated from the smelting and production process) are produced from the smelting and production process of the Group. Such materials require additional processing before they can be disposed of entirely. As waste materials are produced during the Group's smelting and production process, supply of these waste materials to the JCC Group is able to enhance the utilisation of waste products produced during the manufacturing process, thereby generating revenue for the Group and reducing the costs of handling these waste products in order to comply with the national environmental policy. We were advised by the Management that the supply of waste materials will not create additional costs to the Group.

Both the Group and the JCC Group require auxiliary materials such as non-ferrous materials, chemical materials, diesel, steel, cement, wires and cables for their respective production process. As the Group possesses relevant experiences in sourcing these auxiliary materials, the Group will purchase these auxiliary materials in bulk for both the Group and the JCC Group. By centralising the procurement needs of certain auxiliary materials from both the Group and the JCC Group, the Group is able to benefit from bulk purchase discounts and lower its average purchasing costs.

Pursuant to the Agreement 2, the following supportive services will be provided by the Group to the JCC Group:

- a. construction and installation services;
- b. vehicle repair services;
- c. machinery and electrical equipment repair services;
- d. water supply services;
- e. electricity transmission services;
- f. natural gas transmission services;
- g. environmental hygiene and greenery services;
- h. processing on order service;

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- i. agency services for sales of products and sourcing of raw materials;
- j. office lease services; and
- k. research and development in technology.

As advised by the Management, the Group has excess capacity to provide the aforesaid services to the JCC Group. The Directors believe that providing such services to the JCC Group allows the Group to improve its production scale and efficiency by better utilising the excess capacity of its resources and hence achieve economies of scale while at the same time generating revenue for the Group. The Management also advised that the supply of certain services can achieve mutual benefit to the Group and the JCC Group as the parties can share the fixed costs of the facilities, thereby reducing the costs to be borne by the Group. Accordingly, provision of the aforesaid services to the JCC Group under the Agreement 2 is beneficial to the overall operations of the Group and is expected to have no material adverse impact on the business operations of the Group.

In view of the reasons above, in particular that (i) the supply of Copper Cathode and copper processing products to the JCC Group will generate revenue for the Group; and (ii) the supply of waste materials, auxiliary materials and supportive services to the JCC Group will improve the scale and efficiency of the business operations of the Group, we are of the view that the entering into of the Agreement 2 is in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Agreement 2

Pricing and payment term

Pursuant to the Agreement 2, regarding the Group, if applicable, terms relating to the supply of products, raw materials, auxiliary materials, spare products, spare parts, processing parts and waste materials and the provision of consolidated services to the JCC Group will be no less favourable than terms offered by the Group to the Independent Third Parties in connection with similar materials and services (as the case may be). In particular, the pricing bases of the transactions contemplated under the Agreement 2 are set out below:

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Supply of Copper Cathode and copper rod and wire

The Company has agreed to supply the JCC Group with Copper Cathode and copper rod and wire at prices equivalent to the following:

1. for Copper Cathode, the price will be calculated as: $Q + R - S$

Where:

Q = monthly average closing price of copper as quoted on the Shanghai Futures Exchange for the month in which the orders were made;

R = premium per tonne above the standard rate for Copper Cathode, being the market rate of premium for grade A Copper Cathode as registered under the Shanghai Futures Exchange, of which the Copper Cathode produced by the Company is categorised; and

S = 50% of the transportation cost for the delivery of Copper Cathode from the Company's production plant to the warehouse of the Shanghai Futures Exchange.

2. for copper rod and wire, the price will be calculated as: $T + U$

Where:

T = monthly average closing price of copper as quoted on the Shanghai Futures Exchange for the month in which the orders were made; and

U = processing fee determined with reference to the processing fee payable by Independent Third Parties to the Company.

3. for lead, zinc materials and sulfuric acid and other products, their prices shall be determined with reference to the price charged by the Company on Independent Third Parties.

4. for steel balls, the price will be determined based on that charged by the Company on Independent Third Parties. If prices charged on Independent Third Parties are unavailable, such prices shall be not lower than that offered by the Company to its Group members. In any event, such prices shall not be lower than that offered by the Group to Independent Third Parties, where applicable.

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Waste materials generated from the production process of the Group and auxiliary materials

The Company has agreed to supply waste materials generated from the Group's production and auxiliary materials at prices equivalent to the following:

1. for waste materials such as scrap materials and slag generated from the smelting and production process, prices will be calculated with reference to the prices charged by the Company on Independent Third Parties. If such prices are unavailable, prices will be calculated based on its costs plus applicable taxes payable to the PRC government and profit margin of the same or similar industry as quoted by the PRC government.
2. for auxiliary materials such as non-ferrous materials, chemical materials, diesel, steel, cement, wires and cables, the prices will be calculated with reference to the prices of the market in which the material is being delivered. If such market price is unavailable, the prices will be not lower than the price charged by the Group on its Group members or cost plus applicable taxes (whichever is higher). In any event, such prices shall not be lower than that offered by the Group to the Independent Third Parties, where applicable.

In relation to the abovementioned supply of materials by the Group, the JCC Group shall pay 80% of the total amount of purchase of the materials to the Company within 7 days of receipt of such materials, and the remaining 20% of the total amount of the materials to the Company upon satisfactory inspection of such materials.

Construction and installation services

The Company agreed to provide construction and installation services to the JCC Group, including but not limited to construction of factories, office buildings and waste dumps construction services. As the PRC government prescribed prices are the most recognised public information available for reference which is generally reflective of market price, so for those services with the PRC government prescribed prices, the fees will be determined with reference to the price prescribed under the Standard Price of Consumption of General Installation Projects (TY02-31-2015)* (《通用安裝工程消耗量定額》(TY02-31-2015)) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部) which came into effect on 1 September 2015; the Jiangxi Province Standard Price of Projects 2017* (2017版《江西省建設工程定額》) issued by the Department of Housing and Urban Rural Development of Jiangxi Province* (江西省住房和城鄉建設廳) which came into effect on 1 December 2017; the Code of Bills of Quantities and Valuation for Construction Works* (GB50500-2013) (《建築工程工程量清單計價規範》(GB50500-2013)) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設

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部) which came into effect on 1 July 2013; or the Non-ferrous Metal Industry Construction Works Budget Standard Price 2019* (2019版《有色金屬工業建設工程預算定額》) issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) in 2019, which are updated by the relevant PRC central or provincial government departments from time to time. However, sometimes the PRC government prescribed prices may not reflect the market price and thus may not be applicable.

When the PRC government prescribed prices are not applicable and for those services with no PRC government prescribed prices, the Company will check the industry pricing of similar services at local market through information obtained within the industry and make reference to it as well as the historical pricing based on previous operation experience and current market pricing to determine the price. If such industry or market pricing is unavailable or for those services with no industry or market pricing, the prices charged by the Company to the JCC Group shall not be lower than that charged by the Company to its members or by making reference to costs plus applicable taxes (whichever is higher). In any event, such prices shall not be lower than that offered by the Group to Independent Third Parties, where applicable.

The JCC Group shall pay service charges to the Group according to the progress of the projects.

Vehicle repair services

The Company has agreed to provide repair services for different kinds of transportation facilities to the JCC Group. The fees for these services shall be payable by the JCC Group on a monthly basis.

The Company will check the industry pricing of similar services at local market through information obtained within the industry and make reference to it as well as the historical pricing based on previous operation experience and current market pricing to determine the price. If such industry or market pricing is unavailable or for those services with no industry or market pricing, the Company will charge the JCC Group for the prices not lower than the prices charged by it to its members or by making reference to costs plus applicable taxes (whichever is higher). In any event, such prices shall not be lower than that offered by the Group to Independent Third Parties, where applicable.

Machinery and electrical equipment repair services

The Company agreed to provide machinery and electrical equipment repair services to the JCC Group. The fees for these services shall be payable by the JCC Group on a monthly basis.

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As the JCC Group is a large scale industrial enterprise, repair of machinery and electrical equipment needs to be completed within a short period of time in order to avoid any loss caused by disruption. Therefore, determination of price by way of public tender or obtaining fee quotation may not be in the best interests of the JCC Group as it takes longer time. PRC government prescribed prices are the most recognised public information available for reference which is generally reflective of market price. For those services with the PRC government prescribed prices, the fees will be determined with reference to the published PRC government prescribed prices under the Non-standard Equipment Pricing for Nonferrous Metal Industry* (《有色金屬工業非標準設備定價辦法》) of the Nonferrous Metal Industry Construction Works Budget Standard Price 2019* (2019版《有色金屬工業建設工程預算定額》) issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) in 2019, which are updated by the relevant PRC central or provincial government departments from time to time. However, sometimes the PRC government prescribed prices may not reflect the market price and thus may not be applicable.

When the PRC government prescribed prices are not applicable and for those services with no PRC government prescribed prices, the Company will check the industry pricing of similar services at local market through information obtained within the industry and make reference to it as well as the historical pricing based on previous operation experience and current market pricing to determine the price. If such industry or market pricing is unavailable or for those services with no industry or market pricing, the Company will charge the JCC Group for prices not lower than the prices charged by it to its members or by making reference to costs plus applicable taxes (whichever is higher). In any event, such prices shall not be lower than that offered by the Group to Independent Third Parties, where applicable.

Water supply service

The Company agreed to supply the JCC Group with water for industrial use at a fee payable on a monthly basis calculated based on the actual costs plus applicable taxes.

Electricity transmission services

The Company agreed to provide electricity transmission service to the JCC Group at a fee based on the actual costs plus applicable taxes.

The actual costs include the costs of acquisition and transmission of electricity such as consumption of materials, salary, surcharges, depreciation, maintenance fees and amortisation of wires.

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Natural gas transmission services

The Company agreed to provide natural gas transmission service to the JCC Group at a fee based on the actual costs plus applicable taxes. The actual costs include the costs of acquisition and transmission of natural gas such as consumption of materials, salary, surcharges, depreciation, maintenance fees and amortisation of pipelines.

Environmental hygiene and greenery services

The Company agreed to provide environmental and hygiene services, including sweeping, cleaning and maintenance and construction of greenery areas, to the JCC Group in its factory areas at a fee based on the actual costs (including the salary payable to cleaning workers according to the labour market level and the relevant materials fees) and other unforeseeable expenses (including the labour cost rise due to rise in price index, etc.).

Processing on order services

The Company agreed to provide processing on order services to JCC, under which the Company will process the copper materials provided by JCC into copper rod and wire products in accordance with the requests of JCC at a fee determined with reference to the price charged by the Company on Independent Third Parties and shall be payable by JCC to the Company upon delivery of products.

Agency services for sales of products and sourcing of raw materials

The Company agreed to provide agency services for sales of products and sourcing of raw materials, including but not limited to sales of sulfuric acid, gold, silver and scattered metals and sourcing of raw materials such as lead and zinc.

JCC should pay to the Company such agency services fee regularly pursuant to the Agreement 2. In determining the services fees or agency rates for these services, the Company will obtain quotations from similar service providers who are Independent Third Parties in the local market. When there are no such prices, the prices will be based on the actual costs incurred in providing such services plus appropriate profits plus applicable taxes. Appropriate profits will be calculated with reference to the actual profit margin applied in trading business of the Company with Independent Third Parties. The profit margin applied in trading business is comparable to that of agency services for sales of products and sourcing of raw materials as the nature, products, procedures and costs involved are substantially the same. The trading business of the Company similarly involves the sourcing of raw materials and sale of products, save for the increased cash flow commitment and risks as the costs would be borne by the Company instead of JCC.

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Office lease services

The Company agreed to provide office lease services to the JCC Group in its office premises including its headquarter and office premises of its subsidiaries and subsidiaries incorporated from time to time located in Beijing, Shanghai, Shenzhen and Chengdu, together with other office facilities and common facilities (including the public road, greenery area, stairs, elevators and car parks) adjoining to the premises. During the subsistence of the Agreement 2, the JCC Group shall not sub-let such office premises.

In determining the price of the rental and miscellaneous fees, the Company will check from the market the rental of similar type of office in close proximity where the office premises are located and make reference to their price and terms. The price and terms of the office premises leased by JCC from the Company will be not be lower than the price and terms offered by the Company to its Group members and the price and terms offered in the market. The rent and miscellaneous fees shall be payable by JCC to the Company within 5 days after the end of each quarter and monthly, respectively.

Research and development in technology

The Company agreed to provide research and development services in technology to JCC. Due to the exclusivity of the technology involved in the research and development services provided by the Company, there are no sufficient comparable transactions in the market available for reference. The fees for these services will be determined with reference to agreements entered into between the Company and Independent Third Parties from time to time for similar research and development services in technology.

Under the Agreement 2, fees charged by the Company in relation to the Group's supply of various materials were determined with reference to (i) the prices quoted on Shanghai Futures Exchange; (ii) market price charged by the Group to Independent Third Parties; (iii) the prices offered by the Company to members of the Group; (iv) costs plus applicable taxes payable to the PRC government; (v) profit margin of the same or similar industry as quoted by the PRC government. For the provision of supportive services, the fees charged by the Company were determined with reference to (i) market price; (ii) PRC government prescribed price; (iii) industry price; (iv) on cost plus basis; and/or (v) a combination of certain pricing bases as mentioned above.

For the prices charged to JCC in relation to the supply of materials, they were made reference to open market price on the Shanghai Futures Exchange, which is the exchange commonly used as the benchmark for market price of metals in the PRC, or prices charged on the Independent Third Parties or members of the Group. For office lease services provided to JCC, the Company will check from the market in relation to the rental of similar type of

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office in close proximity where the office premises are located and such prices will not be lower than the price and terms offered by the Company to its Group members and the price and terms offered in the market. It is also noted that the pricing terms of the transactions contemplated under the Agreement 2 are substantially similar to the pricing terms of the transactions contemplated under the 2017 Consolidated Supply and Services Agreement II. Based on the above, in particular (i) the pricing bases are determined where the market prices and industry prices are prioritised (if available); and (ii) the pricing terms are no less favorable to the Group than the terms offered by the Group to Independent Third Parties, the Directors are of the view that such pricing terms are fair and reasonable and on normal commercial terms.

We have obtained and reviewed up to three samples of agreements and invoices in respect of relevant historical transactions (where applicable) between the Group and the JCC Group under the 2017 Consolidated Supply and Services Agreement II. As advised by the Management, the agreements and invoices were standardised for each type of transactions under the 2017 Consolidated Supply and Services Agreement II. Based on our review of the sample agreements and invoices, we noted that the prices of the materials and services provided to the Group were consistent with the pricing mechanisms as mentioned in the Agreement 2. We have also obtained and reviewed up to three sample agreements entered into between the Group and Independent Third Parties in respect of the supply of similar materials and provision of similar services (if applicable) from the Group and the relevant invoices, where available. Based on our review of the sample agreements and invoices, we noted that the prices charged by the Group to the JCC Group were no less favourable than prices charged by the Group to Independent Third Parties. We also noted that the payment terms under the Agreement 2 are no less favourable to the Group than those under the aforesaid sample agreements entered into with Independent Third Parties.

Given that the terms provided to the JCC Group in relation to the supply of various materials and the provision of services under the Agreement 2 will be no less favourable to the Group than those terms provided to Independent Third Parties in respect of similar products, materials and services, and that the prices were generally determined with reference to PRC government prescribed rates, market/industry prices, prices quoted on Shanghai Futures Exchange, on costs plus basis, or a combination of certain pricing bases as mentioned above, we consider that the pricing bases of the Agreement 2 are fair and reasonable.

Other terms

We have reviewed other major terms of the Agreement 2 and are not aware of any terms which are exceptional to normal market practice in respect of similar type of agreement.

Based on the above, we are of the opinion that the terms of the Agreement 2 are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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3. Annual caps for the transactions under the Agreement 2 for the three years ending 31 December 2023 (the “Annual Caps 2”)

Set out below are the historical transaction amounts under the 2017 Consolidated Supply and Services Agreement II for the two years ended 31 December 2019 and the six months ended 30 June 2020 and the Annual Caps 2:

	For the year ended 31 December 2018 (RMB'million) (Actual)	For the year ended 31 December 2019 (RMB'million) (Actual)	For the six months ended 30 June 2020 (RMB'million) (Actual)	For the year ending 31 December 2021 (RMB'million) (Cap)	For the year ending 31 December 2022 (RMB'million) (Cap)	For the year ending 31 December 2023 (RMB'million) (Cap)
Transaction amount	1,127.6	1,352.3	573.6	N/A	N/A	N/A
Annual cap	3,988.2	4,003.7	4,009.2	2,373.0	2,385.9	2,436.2
Utilisation rate	28.3%	33.8%	28.6% (Note)	N/A	N/A	N/A

Note: The estimated utilisation rate for the year ending 31 December 2020 is calculated by dividing the annualised transaction amount for the six months ended 30 June 2020 by the respective cap for the year ending 31 December 2020.

Review of historical transaction amount

The transaction amounts under the Agreement 2 increased from the year ended 31 December 2018 to the year ended 31 December 2019 by approximately 19.9% from the year ended 31 December 2018 to the year ended 31 December 2019, which was mainly due to the increase in supply of lead materials, zinc concentrates and blister copper and the provision of logistic services to the JCC Group for its production and operations.

It is noted that the illustrative annualised amount for the year ending 31 December 2020 (based on the actual transaction amount for the six months ended 30 June 2020) decreased as compared to that of the year ended 31 December 2019, which represented approximately 84.8% of the transaction amount for the year ended 31 December 2019. Such decrease was mainly attributable to the decrease in supply of Copper Cathodes, copper rods and auxiliary industrial products to the JCC Group, which according to the Management, the operations of the JCC Group was generally affected by the COVID-19 pandemic for the six months ended 30 June 2020.

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Assessment of the Annual Caps 2

As mentioned in the Letter, the Annual Caps 2 were determined with reference to (i) the historical transaction amounts under the 2017 Consolidated Supply and Services Agreement II; and (ii) the expected expansion of the Group's copper rods and wires business with JCC Group and the expected corresponding increase in JCC Group's demand for the Group's copper rods and wires.

In assessing the reasonableness of the Annual Caps 2, we have considered the business performance of the Group and the JCC Group in recent years. As mentioned above, the Group's revenue increased by approximately 5.0% from approximately RMB204.2 billion for the year ended 31 December 2017 to approximately RMB214.4 billion for the year ended 31 December 2018, and further increased by approximately 11.8% to approximately RMB239.6 billion for the year ended 31 December 2019, which was primarily due to the increase in revenue generated from sale of Copper Cathodes and gold. For the six months ended 30 June 2020, the Group's revenue increased by approximately 40.0% from approximately RMB104.7 billion for the six months ended 30 June 2019 to approximately RMB146.6 billion, which was primarily resulted from the increase in revenue generated from sale of Copper Cathodes, copper rods, gold and silver. The Group's production volume of Copper Cathode and copper processing products increased from approximately 1,465,000 tonnes and 1,119,000 tonnes for the year ended 31 December 2018 to approximately 1,556,000 tonnes and 1,197,000 tonnes for the year ended 31 December 2019, respectively, and further increased from approximately 749,000 tonnes and 530,000 tonnes for the six months ended 30 June 2019 to approximately 801,000 tonnes and 676,000 tonnes for the six months ended 30 June 2020, respectively. On the other hand, according to the information provided by the Management, the revenue of the JCC Group increased by approximately 11.0% to approximately RMB255.5 billion in 2019 from approximately RMB230.7 billion in 2018.

According to the National Bureau of Statistics of China, the purchasing price index for non-ferrous metals (which copper is categorised in) for industrial use in the PRC were fluctuating from 2016 to 2019. The price index increased by approximately 18.3% in 2017 as compared to 2016, and decreased by approximately 10.9% and 3.9% in 2018 and 2019, respectively. The Group expects that notwithstanding the fluctuating price trend of copper in the PRC, the growth in sales of Copper Cathodes and copper processing products will continue in the three years ending 31 December 2023 due to the Group's continuous improvements of operational and financial performances while copper has been one of the major products of the Group.

In addition, we have discussed with the Management on the bases and assumptions adopted in determining the Annual Caps 2. We were advised that the Group will assess the prices and terms of products and services of the Group upon receipt of request from the JCC

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Group, and consider its capacity and resources as well as the prices and terms of similar services provided to Independent Third Parties. As such, the transaction amount with the JCC Group may vary year by year. The Annual Caps 2 generally represent a combined result of (i) the aggregate of the highest transaction amount of material and service item under the 2017 Consolidated Supply and Services Agreement II for the two years ended 31 December 2019 and the six months ended 30 June 2020 (on an annualised basis); and (ii) the anticipated transaction amount of certain material and service item in consideration of the expected production volume or procurement, with certain items adopting approximately 10% increment as a buffer to cater for the combined effect of the possible increase in the price of various materials and the increase in the expected purchase quantity of materials.

Other than the above, we noted that the proposed annual cap for the year ending 31 December 2021 represents an increase of approximately 106.8% to the illustrative annualised transaction amount for the year ending 31 December 2020 (based on the actual transaction amount for the six months ended 30 June 2020). We were advised by the Management that such increase was mainly due to the expected increase in supply of copper rod and wires to the JCC Group because the JCC Group is anticipating to acquire two downstream companies in the copper industry in 2021. As disclosed in the 2017 Circular, the JCC Group proposed to acquire a downstream company in the copper industry in 2018, which would result in the increase in procurement of copper rod and wire by the JCC Group. However, as advised by the Management, such acquisition was delayed because of the change of planning of the JCC Group while the terms of the acquisition are under negotiation by the parties, and is expected to complete in 2021. As a result, the utilisation of the annual cap for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 were lower than expected. As the principal business of these two companies, which the JCC Group intends to acquire in 2021, requires copper rod and wire as raw materials, the demand for copper rod and wire from the JCC Group is expected to increase by approximately 11,000 tonnes following the acquisition of these two companies on an annual basis. We understood from the Management that the Group had sold copper rod and wire to these two companies for the two years ended 31 December 2019 and the six months ended 30 June 2020, and the expected sales of copper rod and wire to the JCC Group for the three years ended 31 December 2023 have been determined with reference to (i) the historical transaction amount between the Group and the JCC Group; (ii) the historical transaction amount between the Group and these two companies; and (iii) the expected growth in business scale and production of the JCC Group and these two companies upon the acquisition from the JCC Group.

Furthermore, we have discussed with the Management in relation to the JCC Group's expansion plan. The Company confirmed that the JCC Group has indicated the increase in demand for copper rod and wire from the Group for the three years ending 31 December 2023 as a result of the proposed acquisition of the two downstream companies in the copper industry as discussed above and the expected increase in production capacity of various

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materials of the JCC Group, including but not limited to Copper Cathode, copper plates and strips. We have further obtained and reviewed the expected production capacity of the JCC Group, and noted that the expected production capacity of Copper Cathode and other copper processing products are expected to record an upward trend for the three years ended 31 December 2023. As further advised by the Management, given that the JCC Group is a designated lead and zinc production site of Jiangxi local government, its production capacity of lead and zinc mining and smelting business will continue to expand and the demand for lead, zinc and auxiliary materials is expected to increase. Therefore, the Group expects to increase the sales volume of lead materials, which are by-products of the Group, to the JCC Group which has two lead and zinc smelting plants for further processing of lead materials.

The Annual Caps 2 for the years ending 31 December 2022 and 2023 represent a slight increase as compared to that for the year ending 31 December 2021.

Having considered (i) the increase in the revenue of the Group and the JCC Group in recent years; (ii) the increase in the production volume of the Group for the year ended 31 December 2019 and the six months ended 30 June 2020 and the expected growth in production capacity of the Group and the JCC Group for 2021 to 2023; (iii) that the supply of materials and the provision of services under the Agreement 2 falls within the ordinary business of the Group and will utilise excess resources to generate revenue for the Group; (iv) that the proposed Annual Caps 2 generally represent the aggregate of the highest transaction amount of each material and service item under the 2017 Consolidated Supply and Services Agreement II during the two years ended 31 December 2019 and the six months ended 30 June 2020 (on an annualised basis); (v) the expected increase in demand for copper rod and wire from the JCC Group upon its acquisition of the two downstream companies in the copper industry; and (vi) the supply of the materials and provision of services will be conducted on normal commercial terms, we consider the Annual Caps 2 are fair and reasonable.

The Annual Caps 2 were determined by the Management based on assumptions including the increase in production volume. Accordingly, we express no opinion as to how closely the actual transaction amounts of the continuing connected transaction in comparison to the Annual Caps 2.

LETTER FROM LEGO

C. THE LAND USE RIGHTS LEASING AGREEMENT

1. Background of and reasons for and benefits of entering into the Land Use Rights Leasing Agreement

Reference is made to the 2017 Announcement and the 2017 Circular in respect of the 2017 Land Use Rights Leasing Agreement.

As the 2017 Land Use Rights Leasing Agreement will expire on 31 December 2020 and the Group contemplates to continue to lease the Land from JCC thereunder, the Company entered into the Land Use Rights Leasing Agreement on 27 September 2020 with JCC to renew the lease of the Land (the “**Lease**”) for the term of three years commencing from 1 January 2021 to 31 December 2023.

The subject land parcel under the Land Use Rights Leasing Agreement is the same land parcel under the 2017 Land Use Rights Leasing Agreement but the leased area of the Land contemplated under the Land Use Rights Leasing Agreement of approximately 50,841,612.77 square meters is slightly smaller than the leased area under the 2017 Land Use Rights Leasing Agreement. As advised by the Management, such smaller leased area contemplated under the Land Use Rights Leasing Agreement was primarily attributed to estimated usage of the Land by the Group from 2021 to 2023.

As disclosed in the Letter, due to historical factors, some of the office buildings and factories of the Group are built on the Land. As advised by the Management, the Land under the Land Use Rights Leasing Agreement is currently used by the Group for its production and operations. The production facilities located on the Land account for the majority of the Group’s total production capacity in the relevant province, where the headquarter of the Group is located. Having considered that (i) leasing of the Land can help reduce investment of the Group; and (ii) the cost to be incurred and the adverse impact on the Group’s operations and production would be substantial, in the event of the relocation of the Group’s production facilities located on the Land, we are of the view that the Lease will ensure the stability of the operations and production of the Group without significant cash outlay.

Having considered the above, in particular the fact that majority of the Group’s production facilities are located on the Land and the benefits of maintaining the Lease, we concur with the view of the Directors that the entering into of the Land Use Rights Leasing Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Land Use Rights Leasing Agreement

Pursuant to the Land Use Rights Leasing Agreement, JCC agreed to let the land use right of the Lands covering an area of approximately 50,841,612.77 square meters to the Company for a term of three years commencing from 1 January 2021 up to 31 December 2023 at an annual rate of RMB196,971,013.04 (equivalent to approximately HK\$224,095,536.82). The actual rate is calculated in accordance with the actual area used by the Group. Such rate was arrived after arm's length negotiations between the Company and JCC with reference to (i) the rent under the 2017 Land Use Rights Leasing Agreement; (ii) the guidance price of land leasing of local government in Jiangxi Province; and (iii) the recent fair trading price. The Group shall pay the rent to JCC within 15 days after the end of each quarter. The Company has a preferential right to renew the Land Use Rights Leasing Agreement by giving JCC a written notice within 6 months before the expiration of the Land Use Rights Leasing Agreement.

In assessing whether the rents of the Land under the Land Use Rights Leasing Agreement for each of the three years ending 31 December 2023 are fair and reasonable, we have reviewed the existing rents paid or payable by the Group for the Land under the 2017 Land Use Rights Leasing Agreement and the current minimum land price guidance issued by the PRC government. We have enquired the Management as to the actual rents paid or payable by the Company to JCC for each of the two years ended 31 December 2019 and the six months ended 30 June 2020, and noted that the rents for the Land for each of the three years ending 31 December 2023 under the Land Leasing Agreement is higher than the existing rents paid or payable for the year ended 31 December 2019 under the 2017 Land Use Rights Leasing Agreement. As advised by the Management, the increase in rents under the Land Use Rights Leasing Agreement was primarily due to the general increase in rental of the properties in close proximity to the Land. Notwithstanding such increase in rents, the agreed rents per square meter of the Land under the Land Use Rights Leasing Agreement is lower than the current minimum land price guidance issued by the PRC government.

Given that (i) the actual rents payable under the Land Use Rights Leasing Agreement is determined in accordance with the actual area used by the Group and the land price guidance of the PRC government; (ii) the annual rents payable under the Land Use Rights Leasing Agreement was approximate to the annual cap under the 2017 Land Use Rights Leasing Agreement; and (iii) the agreed rents per square meter for each of the years ending 31 December 2023 is lower than the minimum land price guidance issued by the PRC government, we are of the view that the basis of determination of the rents under the Land Use Rights Leasing Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We have reviewed the other major terms of the Land Use Rights Leasing Agreement and are not aware of any unusual terms. Given the above, we are of the view that the terms of the Land Use Rights Leasing Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM LEGO

3. Financial effects of the Land Use Rights Leasing Agreement

The Land Use Rights Leasing Agreement are long-term leases for a duration of three years. Pursuant to the IFRS 16, the entering into of the Land Use Rights Leasing Agreement will require the Group to recognise the right-of-use assets in its financial statements.

As disclosed in the Letter, pursuant to IFRS 16, the value of the right-of-use assets recognised by the Group under the Land Use Rights Leasing Agreement amounts to RMB515,141,822.06, which is calculated by discounting the total rent payable for the 12 quarters during the term thereof (after deducting the value-added tax) by an annual interest rate of 5.55%.

D. ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, each of the continuing connected transactions under the Agreement 1 and the Agreement 2 are subject to the following requirements:

- (i) the independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual report whether the transactions have been entered into:
 - in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
- (ii) the Company must engage its auditors to report on the continuing connected transactions for each financial year of the Company and that the Company's auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - have not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policy of the Group if the transactions involve the provision of goods or services by the Group;
 - were not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and
 - has exceeded the Proposed Caps.

LETTER FROM LEGO

In addition, as disclosed in the Letter, the Company has implemented the following internal control measures in order to ensure that the pricing mechanism and the terms of the continuing connected transactions are fair and reasonable and no less favourable than the terms provided by any Independent Third Party:

- (a) the Supervisory Committee operates independently of the Board and performs supervisory duties over the Board and the senior management of the Company. It is responsible for supervising the establishment and implementation of internal control. It further conducts review over the Group's connected transactions annually and monitor whether such transactions would damage the interests of the Shareholders;
- (b) the Audit Committee is responsible for reviewing and monitoring internal control of the Company;
- (c) the Supervisory Committee and the Audit Committee shall perform internal review and control over the continuing connected transactions of the Company, including reviewing contracts signed between the Company and connected persons, supervising the performance of procedures prior to signing of contracts as well as the fulfilment of transactions thereunder, regularly inspecting specific terms of the Company's transactions with connected persons and comparing with the terms of same type of transactions of the Company entered into with Independent Third Parties, to ensure that the pricing and other terms for the Group's continuing connected transactions are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and its Shareholders; and
- (d) the external auditor of the Company conducts annual audit and issues its opinion as to the implementation of the continuing connected transactions by the Company and whether such transactions are conducted within the annual caps as approved by the Shareholders.

In view of the above and in particular that the continuing connection transactions under the Agreements will be subject to annual review of the independent non-executive Directors and the auditors of the Company, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions under the Agreement 1 and the Agreement 2 and safeguard the interests of the Independent Shareholders.

LETTER FROM LEGO

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the Agreements have been entered into within the ordinary and usual course of the Group's business and on normal commercial terms, and the terms thereof together with the Proposed Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Agreements and the transactions contemplated thereunder (including the Proposed Caps) at the EGM.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Stanley Ng
Managing Director

Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 15 years of experience in the accounting and investment banking industries.

* For identification purpose only

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors, the Supervisors or the chief executive of the Company had any interests and 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have taken under such provisions of the SFO); or which were recorded in the register required to be kept under section 352 of Part XV of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at the Latest Practicable Date, other than Mr. Zheng Gaoqing, an executive Director and the chairman of the Company, who is the chairman and legal representative of JCC, none of the Directors or the Supervisors is a director or employee of the substantial Shareholder of the Company.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors has entered into any service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited financial statements of the Company were made up.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors, the Supervisors or their respective close associates (as defined in the Listing Rules) had any interests in any business which competes or may compete, either directly or indirectly, with the business of the Group.

6. INTERESTS OF DIRECTORS AND SUPERVISORS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or the Supervisors had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased.

As at the Latest Practicable Date, other than Mr. Zheng Gaoqing, Mr. Wang Bo, Mr. Liu Fangyun and Mr. Yu Tong, the executive Directors, who are connected directors of JCC, none of the Directors or the Supervisors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

7. EXPERT AND CONSENT

- (a) The following is the qualifications of Lego, which has given opinions, letters or advice contained in this circular:

Name	Qualifications
Lego Corporate Finance Limited	a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

- (b) As at the Latest Practicable Date, Lego did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) As at the Latest Practicable Date, Lego did not have any direct or indirect interests in any assets which have been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

- (d) Lego has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 10 November 2020 and references to its name and logo in the form and context in which it is included.
- (e) The letter and recommendation from Lego are given as of the date of this circular for incorporation herein.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except Saturdays and public holidays) at the office of Tung & Co. at Office 1601, 16th Floor, LHT Tower, 31 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Board, the text of which is set out in this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from Lego, the text of which is set out in this circular;
- (d) the written consent of Lego as referred to in paragraph 7 above; and
- (e) the Agreements.

NOTICE OF EXTRAORDINARY GENERAL MEETING



江西銅業股份有限公司 JIANGXI COPPER COMPANY LIMITED

(a Sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 0358)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Jiangxi Copper Company Limited (the “**Company**”) will be held at the Conference Room of the Company at JCC International Plaza, 7666 Chang Dong Avenue, High-tech Development Zone, Nanchang, Jiangxi, the People's Republic of China (the “**PRC**”), on Monday, 7 December 2020 at 2:30 p.m. for the following purposes:

ORDINARY RESOLUTIONS

1. “**THAT**

- (i) the consolidated supply and services agreement I entered into between the Company and Jiangxi Copper Corporation Limited (“**JCC**”) on 27 September 2020 in respect of the supply of various materials and provision of consolidated services by JCC and its subsidiaries from time to time (other than the Company and its subsidiaries from time to time (collectively, the “**Group**”)) to the Group (a copy of which marked “A” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification)(“**Agreement 1**”) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the proposed annual caps regarding Agreement 1 for each of the three financial years ending 31 December 2023 (as set out in the circular of the Company dated 10 November 2020) be and are hereby approved; and
- (iii) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect and deliver all such agreements, documents and deeds and to do all such acts, matters and things as he may in his discretion consider necessary or desirable or expedient for the purpose of or in connection with Agreement 1, the proposed annual caps and the transactions contemplated thereunder and to make and agree to such variations of a non-material nature in or to the terms of Agreement 1 as he may in his discretion consider to be desirable and in the interests of the Company.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “**THAT**

- (i) the consolidated supply and services agreement II entered into between the Company and JCC on 27 September 2020 in respect of the supply of various materials and provision of consolidated services by the Group to JCC and its subsidiaries from time to time (other than the Group) (a copy of which marked “B” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification)(“**Agreement 2**”) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the proposed annual caps regarding Agreement 2 for each of the three financial years ending 31 December 2023 (as set out in the circular of the Company dated 10 November 2020) be and are hereby approved; and
- (iii) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect and deliver all such agreements, documents and deeds and to do all such acts, matters and things as he may in his discretion consider necessary or desirable or expedient for the purpose of or in connection with Agreement 2, the proposed annual caps and the transactions contemplated thereunder and to make and agree to such variations of a non-material nature in or to the terms of Agreement 2 as he may in his discretion consider to be desirable and in the interests of the Company.”

3. “**THAT**

- (i) the land use rights leasing agreement entered into between the Company and JCC on 27 September 2020 in relation to the leasing of land use right of the lands covering an area of approximately 50,841,612.77 square meters from JCC to the Group for a term of three years ending 31 December 2023 (a copy of which marked “C” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification)(the “**Land Use Rights Leasing Agreement**”) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (ii) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, and deliver all such agreements, documents and deeds and to do all such 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 Land Use Rights Leasing Agreement and the transactions contemplated thereunder and to make and agree to such variations of a non-material nature in or to the terms of the Land Use Rights Leasing Agreement as he may in his discretion consider to be desirable and in the interests of the Company.”

By Order of the Board of
Jiangxi Copper Company Limited
Zheng Gaoqing
Chairman

Nanchang, Jiangxi Province, the PRC, 10 November 2020

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (i) Any shareholder of the Company (the “**Shareholders**”) entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote at the EGM on his/her/its behalf in accordance with the articles of association of the Company. A proxy need not be a Shareholder.
- (ii) In order to be valid, the proxy form and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited to the Secretariat of the Board of the Company at 3rd Floor, JCC International Plaza, 7666 Chang Dong Avenue, High-tech Development Zone, Nanchang, Jiangxi, the PRC (Postal Code: 330096) (in the case of proxy form of holder of A Shares) or the Company’s H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (in the case of proxy form of holders of H Shares) not less than 24 hours before the time for holding the EGM or 24 hours before the time appointed for taking the poll.
- (iii) Shareholders or their proxies shall produce their identity documents when attending the EGM.
- (iv) The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be the close of business on Thursday, 26 November 2020. All transfer documents accompanied by the relevant share certificates, must be lodged with the H Share registrar of the Company, Hong Kong Registrars Limited, whose address is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 26 November 2020.
- (v) Shareholders who intend to attend the EGM shall complete and lodge the reply slip for attending the EGM to the Secretariat of the Board of the Company at 3rd Floor, JCC International Plaza, 7666 Chang Dong Avenue, High-tech Development Zone, Nanchang, Jiangxi, the PRC (Postal Code: 330096) on or before Friday, 27 November 2020. The reply slip may be delivered to the Company by hand, by post or by fax (at fax no.: (86) 791-82710114).
- (vi) The EGM is not expected to take more than half a day. Shareholders or their proxies attending the EGM shall be responsible for their own travel and accommodation expenses.