Gram Capital Limited
嘉林資本有限公司

12 December 2025

To: The independent board committee and the independent shareholders
*of Metallurgical Corporation of China Ltd.**

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF TARGET EQUITY INTERESTS IN THE TARGET COMPANIES AND ASSIGNMENT OF THE DEBTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreements and the transactions contemplated thereunder (i.e. the Disposals), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 12 December 2025 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 requires otherwise.

On 8 December 2025, the Vendors and the Purchasers entered into the Sale and Purchase Agreements, pursuant to which (i) the Company proposes to sell the entire equity interest of MCC Real Estate and assign the Debts to Minmetals Land Holdings; and (ii) the Company proposes to sell (a) the entire equity interest in each of Non-ferrous Engineering, MCC Tongsin Resources and MCC Ramu; and (b) 67.02% entire equity interest in MCC-JJJ Mining to China Minmetals, and China Huaye proposes to sell, the entire equity interest in MCC Duddar to China Minmetals or its designated entity(ies), at the consideration of RMB60,676.3224 million, which shall be settled in cash by the Purchasers. After completion of the Disposals, each of the Target Companies will cease to be subsidiaries of the Company and the financial results of each of the Target Companies will no longer be consolidated into the financial statements of the Company.

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With reference to the Board Letter, the Disposals constitute very substantial disposal and connected transactions and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Liu Li, Mr. Ng, Kar Ling Johnny and Ms. Zhou Guoping (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Sale and Purchase Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; (ii) whether the Sale and Purchase Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Sale and Purchase Agreements and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in relation to (i) the Company's continuing connected transaction, details of which are set out in the Company's circular dated 3 June 2024; and (ii) the Company's continuing connected transaction, details of which are set out in the Company's circular dated 6 June 2025. Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid past engagements, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties during the two years immediately preceding the Latest Practicable Date that could be reasonably regarded as a hindrance to Gram Capital's independence under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

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BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Disposals. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Group or the Target Companies (including the Debts) and we have not been furnished with any such evaluation or appraisal, save as and except for the Valuation Reports prepared by the Valuer in relation to the value of the entire equity interests of the Target Companies and the Debts (the "**Valuation**") as at 31 July 2025 (i.e. the Reference Date). Since we are not experts in the valuation of assets or businesses, we have relied solely upon the Valuation Reports.

The 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 the Circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, China Huaye, the Purchasers, the Target Companies or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposals. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposals, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group has strong construction capabilities in metallurgical engineering. It is a large conglomerate operating in various specialized fields, across different industries and in many countries. In recent years, the Company has remained committed to its goals for "one building, two most, five strong", being the goals established by the Company to creating a world-class enterprise with global competitiveness as the guiding principle; building the best full-service solution provider for metallurgical construction and operation with super core competitiveness, being the most reliable general contractor in infrastructure with global reputation and domestic leading position as its target, in order to become a world-class investment and construction group distinguished by its strong value creation ability, market competitiveness, innovative capabilities, resource allocation efficiency and cultural soft power. The Group ranked 7th in ENR's "Top 250 Global Contractors" in 2025.

China Huaye (being one of the Vendors) is a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company, being owned as to 78.77% by the Company. China Huaye is principally engaged in engineering contracting.

Financial performance

Set out below is the consolidated financial information of the Group for the three years ended 31 December 2024 and the six months ended 30 June 2025 (together with comparative figures), as extracted from (i) the Company's annual report for the year ended 31 December 2023 (the "**2023 Annual Report**"); (ii) the Company's annual report for the year ended 31 December 2024 (the "**2024 Annual Report**"); and (iii) the Company's interim report for the six months ended 30 June 2025 (the "**2025 Interim Report**"):

	For the year ended 31 December 2022 ("FY2022") *RMB'000* *(audited)*	For the year ended 31 December 2023 ("FY2023") *RMB'000* *(audited)*	For the year ended 31 December 2024 ("FY2024") *RMB'000* *(audited)*	For the six months ended 30 June 2024 ("1H2024") *RMB'000* *(unaudited)*	For the six months ended 30 June 2025 ("1H2025") *RMB'000* *(unaudited)*
Total operating revenue	592,669,072	633,870,422	552,024,638	298,841,527	237,532,712
– Engineering contracting	*531,207,159*	*580,845,638*	*497,960,377*	*275,436,672*	*215,749,172*
– Featured business	*38,442,883 (Note)*	*36,194,504*	*35,132,876*	*18,222,536*	*16,873,613*
– Comprehensive real estate	*22,710,702*	*16,497,535*	*18,604,748*	*5,022,758*	*4,790,806*
– Others	*308,328*	*332,745*	*326,637*	*159,561*	*119,121*
Net profit	12,931,630	11,406,109	7,904,332	4,700,632	4,072,992

Note: the figure represents revenue from the Group's resource development segment and the Group's featured business as presented in the 2023 Annual Report, which was later consolidated as "featured business" presented in the 2024 Annual Report

Comparison between FY2022 and FY2023

The Group's total operating revenue increased by approximately 6.95% from approximately RMB592.7 billion for FY2022 to approximately RMB633.9 billion for FY2023. With reference to the 2023 Annual Report, the increase in the Group's total operating revenue was mainly due to the increase in revenue generating from engineering contracting from approximately RMB531.2 billion for FY2022 to approximately RMB580.8 billion for FY2023. The Group generated majority of its revenue from engineering contracting, which accounted for approximately 89.63% and 91.63% of the Group's total operating revenue for FY2022 and FY2023 respectively.

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Despite the aforesaid increase in the Group's total operating revenue, the Group's net profit decreased from approximately RMB12.9 billion for FY2022 to approximately RMB11.4 billion for FY2023, representing a decrease of approximately 11.80%. With reference to the 2023 Annual Report, such decrease was mainly due to the increase in (i) selling expenses; (ii) administrative expenses; (iii) research and development expenses; (iv) credit impairment losses; and (v) impairment losses of assets.

Comparison between FY2023 and FY2024

The Group's total operating revenue decreased by approximately 12.91% from approximately RMB633.9 billion for FY2023 to approximately RMB552.0 billion for FY2024. With reference to the 2024 Annual Report, the decrease in the Group's total operating revenue was mainly due to external factors such as the continuous decline in demand in the iron and steel industry and sluggish growth in the construction industry, coupled with the periodic factors such as the business structure adjustment brought about by the Group's transformation and upgrading.

Along with the aforesaid decrease in the Group's total operating revenue and the increase in credit impairment losses, the Group's net profit decreased by approximately 30.70% from approximately RMB11.4 billion for FY2023 to approximately RMB7.9 billion for FY2024.

Comparison between 1H2024 and 1H2025

The Group's revenue decreased by approximately 20.52% from approximately RMB298.8 billion for 1H2024 to approximately RMB237.5 billion for 1H2025. With reference to the 2025 Interim Report, such decrease was mainly due to the sluggish growth in the construction industry and the decrease in revenue from the engineering construction segment.

Along with the aforesaid decrease in revenue and the corresponding decrease in operating profit, and the increase in income tax expenses, the Group's net profit decreased by approximately 13.35% from approximately RMB4.7 billion for 1H2024 to approximately RMB4.1 billion for 1H2025.

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Financial Position

Set out below is the consolidated financial position of the Group as at each of 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025, as extracted from the 2023 Annual Report, 2024 Annual Report and 2025 Interim Report:

	As at 31 December 2022 *RMB'000* *(audited)*	**As at 31 December 2023** *RMB'000* *(audited)*	**As at 31 December 2024** *RMB'000* *(audited)*	**As at 30 June 2025** *RMB'000* *(unaudited)*
Total assets	585,392,827	661,602,236	808,015,755	857,406,039
– Cash and bank balances	*45,485,413*	*44,440,269*	*52,558,851*	*53,057,489*
– Accounts receivable	*93,439,673*	*130,037,264*	*213,513,725*	*224,490,464*
– Inventories	*79,948,631*	*80,075,514*	*75,593,134*	*72,117,954*
– Contract assets	*106,826,600*	*121,833,709*	*156,291,569*	*194,169,274*
– Investment properties	*7,871,895*	*8,020,390*	*8,320,768*	*8,462,841*
– Fixed assets	*25,411,113*	*27,725,928*	*27,423,332*	*26,743,461*
– Intangible assets	*22,026,293*	*22,849,854*	*33,639,591*	*34,041,752*
– Other assets	*204,383,209*	*226,619,308*	*240,674,785*	*244,322,804*
Total liabilities	423,475,265	493,611,071	625,679,889	676,806,588
– Total borrowings (Note)	*62,315,295*	*73,733,671*	*93,328,695*	*127,688,469*
– Other liabilities	*361,159,970*	*419,877,400*	*532,351,194*	*549,118,119*
Net assets	161,917,562	167,991,165	182,335,866	180,599,451
Net assets attributable to shareholders of the Company	121,116,261	145,480,182	153,043,098	151,128,690

Note: Total borrowings include short-term borrowings, long-term borrowings, non-current liabilities due within one year and bonds payable.

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In respect of the Group's assets and liabilities position, among other things:

- the Group recorded a slight decrease of approximately 2.30% in cash and bank balances as at 31 December 2023 as compared to that as at 31 December 2022, due to the slowdown in the growth trend of the construction industry and the decrease in sales of real estate enterprises. The Group recorded a substantial increase of approximately 18.27% in cash and bank balances as at 31 December 2024 as compared to that as at 31 December 2023. As at 30 June 2025, the Group recorded cash and bank balances of approximately RMB53.1 billion, being at similar level as that as at 31 December 2024.

- The Group's accounts receivable substantially increased by approximately 39.17% from approximately RMB93.4 billion as at 31 December 2022 to RMB130.0 billion as at 31 December 2023, which was mainly due to an increase in accounts receivable related to engineering contracting services. The Group's accounts receivable further increased substantially to approximately RMB213.5 billion as at 31 December 2024, which was mainly due to the impact of the slowdown in economic growth and the slower progress of project payment collection, resulting in an increase in the Company's accounts receivable. The Group's accounts receivable as at 30 June 2025 increased by approximately 5.14% as compared to that as at 31 December 2024, primarily due to an increase in accounts receivables related to engineering contracting services.

- The inventories of the Company mainly consisted of properties under development, completed properties held for sale, raw materials, work in process and finished goods, etc. The Group's inventories were at the level of RMB70 billion to RMB80 billion as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025.

- The contract assets of the Group are mainly completed and unsettled inventories and construction quality guarantee deposits with regard to the engineering contracting service contracts. The Group's contract assets gradually increased from that as at 31 December 2022 to 30 June 2025, which was mainly due to the increases in contract assets related to engineering contracting services for the corresponding period.

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- The Company's intangible assets mainly included land use rights, franchise right, patent and proprietary technology, as well as mining rights etc. As at 30 June 2025, the Group's intangible assets were approximately RMB34.0 billion, representing an increase of approximately 1.20% as compared to that as at 31 December 2024.

- The Group's total borrowings increased from approximately RMB62.3 billion as at 31 December 2022 to approximately RMB127.7 billion as at 30 June 2025.

As at 30 June 2025, the Group's net assets attributable to shareholders of the Company was approximately RMB151.1 billion.

Information on Purchasers

With reference to the Board Letter:

- China Minmetals is a state-owned enterprise established in the PRC. It is a comprehensive conglomerate focusing on metal and mineral resources sector, with business segments spanning mining, trade and logistics, financial services, and property development. China Minmetals possesses integrated capabilities across the entire metal and mining industry value chain.

- Minmetals Land Holdings is principally engaged in real estate development and property management.

As at the Latest Practicable Date, China Minmetals is a controlling Shareholder and Minmetals Land Holdings is a subsidiary of China Minmetals. Accordingly, both China Minmetals and Minmetals Land Holdings are connected persons of the Company.

Information on the Target Companies

The Target Companies are MCC Real Estate, Non-ferrous Engineering, MCC Tongsin Resources, MCC Duddar, MCC-JJJ Mining and MCC Ramu.

With reference to the Board Letter:

- MCC Real Estate is a company established in PRC. MCC Real Estate is a specialized real estate enterprise principally engaged in both real estate development and property management. As at the Latest Practicable Date, MCC Real Estate is a wholly owned subsidiary of the Company.

- Non-ferrous Engineering is a company established in the PRC. Non-ferrous Engineering is principally engaged in the provision of engineering design and supporting engineering services in the field of non-ferrous sector. As at the Latest Practicable Date, Non-ferrous Engineering is a wholly owned subsidiary of the Company.

- MCC Tongsin Resources is a company established in British Virgin Islands. MCC Tongsin Resources engaged in resource development. MCC Tongsin Resources principally operates the Aynak copper mine project in Afghanistan, Saindak copper-gold mine project in Pakistan, and the Siah Dik copper mine Project in Pakistan. As at the Latest Practicable Date, MCC Tongsin Resources is a wholly owned subsidiary of the Company.

- MCC Duddar is a company established in Pakistan. MCC Duddar principally operates the Duddar lead-zinc mine project located in Pakistan. The main assets of the Duddar lead-zinc include an underground mine, a beneficiation plant, tailing facilities and related ancillary facilities. The main products of the mine are lead concentrate and zinc concentrate. As at the Latest Practicable Date, MCC Duddar is a wholly owned subsidiary of China Huaye, which in turn held as to 78.77% by the Company.

- MCC-JJJ Mining is a company established in PRC. MCC-JJJ Mining is principally engaged in resource development. MCC-JJJ Mining serves as the domestic investment entity for the Ramu Project. The assets of the Ramu Project include an open-pit mine, a beneficiation plant, a slurry or ore storage facility and a refinery for nickel-cobalt mixed hydroxide. As at the Latest Practicable Date, MCC-JJJ Mining is a non-wholly owned subsidiary of the Company, held as to 67.02% by the Company.

- MCC Ramu is a company established in Papua New Guinea. MCC Ramu is the project management company in charge of the construction, development and operations of the Ramu Project. The Ramu Project is operated under an unincorporated joint venture structure commonly adopted in the international mining industry. MCC Ramu does not enjoy any economic benefits arising from the Ramu Project as all operating results are allocated directly to the shareholders of the unincorporated joint venture in accordance with relevant agreements. Accordingly, MCC Ramu does not recognise any revenue or profit. As at the Latest Practicable Date, MCC Ramu is a wholly owned subsidiary of the Company.

Set out below are the financial information of the Target Companies (on a consolidated basis, except for MCC Duddar and MCC Ramu) for the three years ended 31 December 2024 and the seven months ended 31 July 2025, as extracted from Appendix II:

MCC Real Estate

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2024	For the seven months ended 31 July 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Operating revenue	16,289,489	8,747,544	7,343,698	2,972,323
Profit/(loss) before taxation	220,357	(2,995,713)	(4,996,607)	(25,492,378)
Profit after taxation	8,647	(3,022,064)	(4,855,754)	(25,438,424)

	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024	As at 31 July 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	93,193,883	92,307,549	84,584,931	57,063,693
Net assets/(liabilities)	12,600,331	9,509,001	9,250,209	(16,275,509)

Non-ferrous Engineering

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2024	For the seven months ended 31 July 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Operating revenue	6,947,361	6,233,074	8,717,612	5,226,715
Profit before taxation	357,834	533,246	421,948	146,487
Profit after taxation	310,460	460,614	339,369	112,543

	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024	As at 31 July 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	10,389,340	11,010,132	12,546,773	12,456,638
Net assets	4,035,291	4,457,150	4,643,485	4,771,039

MCC Tongsin Resources

	For the year ended 31 December 2022 *RMB'000*	For the year ended 31 December 2023 *RMB'000*	For the year ended 31 December 2024 *RMB'000*	For the seven months ended 31 July 2025 *RMB'000*
Operating revenue	1,507,705	1,780,741	2,466,863	1,792,489
Profit before taxation	134,524	125,866	313,865	212,799
Profit after taxation	114,557	105,354	275,147	209,460

	As at 31 December 2022 *RMB'000*	As at 31 December 2023 *RMB'000*	As at 31 December 2024 *RMB'000*	As at 31 July 2025 *RMB'000*
Total assets	4,857,692	5,253,156	6,001,910	6,706,752
Net assets	3,776,150	4,050,264	4,536,573	5,097,978

MCC Duddar

	For the year ended 31 December 2022 *RMB'000*	For the year ended 31 December 2023 *RMB'000*	For the year ended 31 December 2024 *RMB'000*	For the seven months ended 31 July 2025 *RMB'000*
Operating revenue	823,112	603,481	758,946	609,545
Profit before taxation	280,527	115,673	249,383	276,768
Profit after taxation	280,527	113,618	150,762	149,406

	As at 31 December 2022 *RMB'000*	As at 31 December 2023 *RMB'000*	As at 31 December 2024 *RMB'000*	As at 31 July 2025 *RMB'000*
Total assets	837,721	673,583	694,177	724,462
Net assets	407,998	432,822	205,387	186,239

MCC-JJJ Mining

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2024	For the seven months ended 31 July 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Operating revenue	4,745,552	3,875,117	2,965,225	1,607,908
Profit before taxation	1,267,166	1,029,037	459,832	228,346
Profit after taxation	1,267,166	1,027,378	445,841	229,778

	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024	As at 31 July 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	8,642,416	7,627,107	7,226,388	6,675,897
Net assets	1,815,627	2,888,946	3,391,165	3,598,171

MCC Ramu

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2024	For the seven months ended 31 July 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Operating revenue	Nil	Nil	Nil	Nil
Profit before taxation	Nil	Nil	Nil	Nil
Profit after taxation	Nil	Nil	Nil	Nil

	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024	As at 31 July 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	6,593	5,956	5,369	5,033
Net assets	3	3	3	3

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Reasons for and benefits of the Disposals

With reference to the Board Letter, the Disposals represent a proactive response to the relevant directives advocating for central state-owned enterprises to focus on their principal businesses, promote specialised integration and optimise resource allocation. It is a key initiative undertaken by MCC as it enters into a new phase of development under the "15th Five-Year Plan" and advances its commitment to high-quality growth. By divesting its non-core assets and reallocating resources more efficiently, the Disposals will enable the Group to streamline its business portfolio, reinforce its strategic focus, and strengthen its core competitiveness and long-term profitability. Going forward, the Group will concentrate on key areas such as metallurgical engineering, non-ferrous and mining engineering, high-end infrastructure, and emerging industries, with a view to driving sustainable high-quality development.

Following Completion of the Disposals, MCC's positioning as a core platform under China Minmetals will be reinforced, with a focus on engineering contracting and the cultivation of emerging featured industries. The divestment of non-core business assets will facilitate the redeployment of human resources, capital, and managerial resources, which will allow the Group to focus on its principal business and is expected to result in a more coherent organisational structure, and enhance operational efficiency. These changes are expected to bolster the Group's overall operational stability and risk resilience. MCC will continue to leverage its core strengths in engineering construction, technological innovation, and project management, while fostering closer and more efficient collaboration with other business segments within the China Minmetals Group, which is expected to contribute to the development of a more competitive and integrated industrial ecosystem.

Real estate property development segment

With reference to the Board Letter, by divesting MCC Real Estate which is primarily engaged in the property development business, the Group will be able to mitigate liquidity risks, project execution risks, and potential default risks. This will significantly reduce inventory pressure and capital exposure associated with the comprehensive real estate business, while enhancing the financing capacity and credit profile of the Group's core engineering operations.

Furthermore, the disposal of MCC Real Estate would allow the Group to recover the Debts and, proceeds from the Disposals will be redeployed to support the Group's development plans such as metallurgical engineering technology upgrades, green and low-carbon transformation, and overseas engineering expansion, enabling the Group to "retreat in order to advance" and operate with greater agility.

Set out below are certain statistics regarding the PRC's real estate industry for the five years ended 31 December 2024 and the ten months ended 31 October 2025, as extracted from the National Bureau of Statistics of the PRC:

	2020	2021	2022	2023	2024	January to October 2025
Sales value of new-built real estate in the PRC *(RMB billion)*	16,275.2	17,015.9	12,472.0	11,666.1	9,675.0	6,901.7
Including:						
– New-built residential properties	*14,532.0*	*15,263.7*	*10,958.3*	*10,301.3*	*8,486.4*	*6,068.7*
– New-built commercial properties	*889.7*	*870.2*	*729.8*	*662.8*	*572.8*	*394.8*
Gross floor area of new-built real estate sold in the PRC *(million sqm)*	1,588.2	1,613.5	1,221.5	1,117.6	973.9	719.8
Including:						
– New-built residential properties	*1,399.3*	*1,410.1*	*1,033.1*	*948.2*	*814.5*	*602.7*
– New-built commercial properties	*81.7*	*79.3*	*72.3*	*63.6*	*59.9*	*42.2*
Average selling price of new-built real estate in the PRC *(RMB per sqm) (Note)*	10,248	10,546	10,210	10,438	9,935	9,588
Including:						
– New-built residential properties	*10,385*	*10,825*	*10,608*	*10,864*	*10,419*	*10,069*
– New-built commercial properties	*10,887*	*10,969*	*10,097*	*10,422*	*9,569*	*9,344*
Floor area of real estate under development in the PRC *(million sqm)*	9,267.6	9,753.9	9,045.0	8,401.6	7,332.5	6,529.4

Note: Average selling prices of new-built real estates in the PRC (including new-built residential properties and new-built commercial properties) are calculated based on the sales value of sales value of new-built real estates in the PRC and the gross floor area of new-built real estate sold in the PRC.

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As illustrated above, the sales value of new-built real estate in the PRC recorded year-on-year decrease for each of 2022, 2023 and 2024, due to the year-on-year decrease in gross floor area of new-built real estate sold and average selling price of new-built real estate in the PRC. The sales value of new-built real estate in the PRC decreased from approximately RMB16,275.2 billion for 2020 to approximately RMB9,675.0 billion for 2024, representing a compound annual growth rate of approximately negative 12.19%; while the gross floor area of real estate sold in the PRC decreased from approximately 1,588.2 million sqm for 2020 to approximately 973.9 million sqm for 2024, representing a compound annual growth rate of approximately negative 11.51%. Furthermore, the sales value of new-built real estate in the PRC was approximately RMB6,901.7 billion for the first ten months of 2025, representing a year-on-year decrease of approximately 10.20%; while the gross floor area of new-built real estate sold in the PRC was approximately 719.8 million sqm for the first ten months of 2025, representing a year-on-year decrease of approximately 7.63%.

The floor area of real estate under development in the PRC also recorded year-on-year decrease for each of 2022, 2023 and 2024. The floor area of real estate under development in the PRC decreased from approximately 9,267.6 million sqm for 2020 to approximately 7,332.5 million sqm for 2024, representing a compound annual growth rate of approximately negative 5.69%. Furthermore, the floor area of real estate under development in the PRC was approximately 6,529.4 million sqm for the first ten months of 2025, representing a year-on-year decrease of approximately 9.40%.

Based on the statistics set out above, we are of the view that the prospects of the PRC's real estate industry are uncertain.

Mineral resources development business segment

With reference to the Board Letter, mining resources development projects generally require a significant amount of capital investment involve long investment cycles, significant price volatility of end products. These projects also face increasingly stringent regulatory requirements concerning environmental protection and ecological management. In the current global landscape characterised by ongoing geopolitical realignment, weakening and diverging economic growth, and heightened uncertainty in external environments and policy shifts, the Group's overseas mineral resource projects, many of which are in the preparatory phase, face extended development cycles and elevated risk exposure. In particular, several of the Group's overseas mines remains undeveloped or at an early stage of development, with certain projects unable to progress in accordance with the original schedules over an extended period of time. Furthermore, the development of these projects would necessitate substantial capital commitments and the realisation of expected returns remains subject to uncertainty. The Group has not yet established a fully integrated metals and mining industry chain and does not possess downstream operations such as post-mining smelting, trading, and deep processing. As such, retaining mining assets would expose the Group to fluctuations in international commodity prices and construction risks associated with overseas resources development, which may result in earnings volatility and affect financial stability.

We understood from the Directors that the Group currently owns five overseas non-ferrous mines. Upon Completion, the Group shall no longer own any non-ferrous mines. The Disposals would reduce the Group's exposure to geopolitical tensions and fluctuation in exchange rates led by interest-rate cycles and realise the economic benefits of the non-ferrous mines in advance.

Further focusing on the Group's core strengths

With reference to the Board Letter, in response to industry challenges and segment-specific risks facing the Group, the proposed divestment represents a prudent strategic initiative of the Group, aligning with national policy and industry trends. It will enable the Group to streamline its business structure, concentrate resources on its principal operations and enhance its long-term competitiveness and profitability. This approach is aimed at reinforcing the Group's professional advantages and system integration capabilities in metallurgical engineering, ensuring that resources are concentrated on core functions.

In connection with the disposal of the Group's real estate property development and mineral resources development segments, Non-ferrous Engineering is also subject to the Disposals. Non-ferrous Engineering is principally engaged in the provision of engineering design and supporting engineering services in the fields of non-ferrous sector, which differs from the Remaining Group's metallurgy engineering and operations. As the mining resource assets subject to the Disposals are primarily related to non-ferrous metals, there exists significant business synergies with Non-ferrous Engineering and its disposal is therefore considered to be consistent with the Group's strategic focus on its core strengths. In addition, the revenue of Non-ferrous Engineering accounted for less than 2% of the Group's consolidated revenue in 2024. Accordingly, the disposal of Non-ferrous Engineering is not expected to have any material impact on the Group's ongoing business operations.

Following the divestment of non-core businesses, the Group's management will be able to concentrate its attention, managerial resources, and R&D investment on its principal business of metallurgical engineering. This will also accelerate the industrialisation of technological achievements and the development of strategic featured industries, without materially affecting the Group's continuing operations.

Having considered the aforesaid, we concur with the Directors that although the Disposals are not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and Shareholders as a whole.

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Principal terms of the Disposals

Set out below are the principal terms of the Disposals, details of which are set out under the sections headed "A. The First Sale and Purchase Agreement" and "B. The Second Sale and Purchase Agreement" of the Board Letter:

	First Sale and Purchase Agreement	Second Sale and Purchase Agreement
Date	8 December 2025	8 December 2025
Parties	(1) The Company (as a Vendor)	(1) The Company (as Vendor)
	(2) Minmetals Land Holdings (as Purchaser)	(2) China Huaye (as a Vendor)
		(3) China Minmetals (as Purchaser)
Subject matter	Pursuant to the terms and conditions of the First Sale and Purchase Agreement:	Pursuant to the terms and conditions of the Second Sale and Purchase Agreement:
	(1) the Company agreed to sell, and Minmetals Land Holdings agreed to purchase, the entire equity interest of MCC Real Estate; and	(1) the Company agreed to sell, and China Minmetals agreed to purchase, (a) the entire equity interest in each of Non-ferrous Engineering, MCC Tongsin Resources and MCC Ramu; and (b) 67.02% equity interest in MCC-JJJ Mining;
	(2) the Company agreed to assign, and Minmetals Land Holdings agreed to be assigned, the Debts.	(2) China Huaye agreed to sell, and China Minmetals or its designated entity(ies) agreed to purchase, the entire equity interest in MCC Duddar.

Consideration	The total consideration for the First Disposal is RMB31,236,589,800 which shall be settled in cash by Minmetals Land Holdings to the Company in the following manner: (1) RMB15,618,294,900, being 50% of the consideration, shall be paid by Minmetals Land Holdings to the Company within 20 days after the date on which the Board has passed a resolution to approve the First Disposal (i.e. no later than 28 December 2025); and (2) RMB15,618,294,900, being the balance of the consideration, shall be paid by Minmetals Land Holdings to the Company on the date of Completion.	The total consideration for the Second Disposal is RMB29,439,732,600 which shall be settled in cash by China Minmetals to the Vendors in the following manner: (1) in respect of the acquisition of the entire equity interest in Non-ferrous Engineering, China Minmetals shall pay RMB10,495,579,000 to the Company; (2) in respect of the acquisition of the entire equity interest in MCC Tongsin Resources, China Minmetals shall pay RMB12,240,720,600 to the Company; (3) in respect of the acquisition of the entire equity interest in MCC Duddar, China Minmetals or its designated entity(ies) shall pay RMB1,656,720,500 to China Huaye, or an equivalent amount in foreign currency calculated based on the exchange rate published by the People's Bank of China on the payment date; (4) in respect of the acquisition of 67.02% equity interest in MCC-JJJ Mining, China Minmetals shall pay RMB5,035,798,600 to the Company; and

(5) in respect of the acquisition of the entire equity interest in MCC Ramu, China Minmetals shall pay RMB10,913,900 to the Company,

which shall be settled in cash by China Minmetals to the Vendors in the following manner:

(a) RMB14,719,866,300, being 50% of the Consideration, shall be paid by China Minmetals (or, in the case of consideration payable in respect to MCC Duddar, by such entity(ies) as maybe designated by China Minmetals) to the Vendors within 20 days after the date on which the Board has passed a resolution to approval the Disposals (i.e. no later than 28 December 2025); and

(b) RMB14,719,866,300, being the balance of the consideration, shall be paid by the China Minmetals (or, in the case of consideration payable in respect to MCC Duddar, by such entity(ies) as designated by China Minmetals) to the Vendors on the date of Completion.

The Vendors and China Minmetals agree that the conditions precedent stipulated under the Second Sale and Purchase Agreement are separate and independent for each Target Company. If the conditions precedent for any Target Company are not satisfied, it will not affect China Minmetals' obligations to pay the corresponding consideration and the Vendors' obligations in respect to completion for the other Target Companies under the terms and conditions of the Second Sale and Purchase Agreement.

Basis of consideration

The total consideration for the Disposals was determined after arm's length negotiations between the Vendors and the Purchasers, after taking into consideration, among other factors, the Valuation of the Target Companies and the Debts made by the Valuer as at the Reference Date.

To assess the fairness and reasonableness of the Consideration, we obtained and reviewed the Valuation Reports prepared by the Valuer.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification in relation to the preparation of the Valuation Reports; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation.

Qualification and independence

From the mandate letter and other relevant information provided by the Valuer, and based on our interview with the Valuer, we were satisfied with the terms of engagement of the Valuer as well as its qualification for the preparation of the Valuation Reports.

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Having considered the following factors:

(i) as required under provision four of the Asset Evaluation Standards –Basic Standards* (《資產評估基本準則》) (the "**Valuation Standards**") as issued by Ministry of Finance of the PRC and updated in 2017, asset appraisal institution and its professional staff shall carry out asset appraisal activities in accordance with provisions of laws and administrative regulations, uphold to the principle of independence, objectivity and impartiality;

(ii) as required under provision six of the Valuation Standards, when asset appraisal institution and its professional staff shall carry out asset appraisal activities, they (a) should perform independently in analysing, evaluating and forming their opinion; (b) should not be affected by client or its relevant persons; and (c) should not determine the value on pre-setting basis;

(iii) the Code of Professional Ethics for Asset Evaluation* (《資產評估職業道德準則》) as issued by China Appraisal Society in 2017 further set out and emphasize the independence requirements of asset appraisal institution and certified valuers;

(iv) based on the public information and the 2025 Interim Report, none of the shareholders of the Valuer owned more than 10% equity interests in the Company and none of the substantial Shareholders were shareholders of the Valuer as at 30 June 2025;

(v) the selection of the Valuer was by way of bidding and tendering process; and

(vi) the Valuer confirmed their independence to the Group, the Target Companies and the Purchasers,

we are satisfied with the independence of the Valuer in respect of the preparation of the Valuation Reports.

Valuation approach

We reviewed the Valuation Reports and enquired into the Valuer on the methodologies, basis and assumptions adopted in conducting the Valuation in order for us to understand the Valuation Reports. Details of the Valuation are set out in Appendix V to the Circular. We noted from the Valuation Reports that each of the Valuation Reports were prepared by the Valuer in accordance with various requirements/ standards, including the Valuation Standards as issued by the Ministry of Finance of the PRC.

According to the Valuation Standards, (i) the fundamental valuation approaches of assets valuation include income approach, market approach and asset-based approach, and (ii) the valuer should analyse the applicability of the three fundamental valuation approaches and select the valuation methodology.

In preparing the Valuation Reports, the Valuer concluded (i) the Valuation of Non-ferrous Engineering, MCC Duddar, MCC-JJJ Mining and MCC Ramu (collectively, the "**Asset-based Approach Target Companies**") using asset-based approach (the "**Asset-based Approach Valuation**"); and (ii) the Valuation of MCC Real Estate (i.e. the entire equity interest of MCC Real Estate of the portfolio of the underlying assets of MCC Real Estate contemplated under the First Sale and Purchase Agreement) and MCC Tongsin Resources using income approach (the "**Income Approach Valuation**").

We noted from the Valuation Reports that in conducting the valuation of Non-ferrous Engineering, MCC Duddar, MCC-JJJ Mining and MCC Ramu, the Valuer had considered each of the fundamental valuation approaches and we understood that:

- Asset-based approach refers to the valuation of each individual identifiable asset and liabilities of the valuation subject to determine the value of the valuation subject on the accounting principle of "assets minus liabilities". As both on- and off-balance sheets' assets and liabilities of the Asset-based Approach Target Companies can be identified, with appropriate methods to assess their value individually, asset-based approach is applicable for the valuation of Non-ferrous Engineering, MCC Duddar, MCC-JJJ Mining and MCC Ramu.

- Income approach refers to the discount or capitalisation of the valuation subject's expected income to determine the value of valuation subject. As Non-ferrous Engineering, MCC Duddar and MCC-JJJ Mining are under the assumption that they can continue as a going concern, with complete historical financial information for its management to analyse and formulate their future economic benefits to be brought by their operations and their operational risks can be reasonably assessed and quantified, income approach is applicable for the valuation of Non-ferrous Engineering, MCC Duddar and MCC-JJJ Mining. As MCC Ramu has no actual business activity and its management has no future development plans for MCC Ramu's business, income approach is not applicable for the valuation of MCC Ramu.

- Market approach evaluates the current fair market value of an asset using comparable items in the market. However, due to significant differences in business structure, operating model, scale, asset allocation and usage, growth stage, growth potential, operating risk, and financial risk among listed companies in the same industry, and the lack of recent comparable transactions, acquisitions, and mergers, as well as limited access to transaction information in the domestic property rights market, it is difficult to obtain reliable and comparable transaction data. Therefore, the market approach is not applicable for the valuation of Non-ferrous Engineering, MCC Duddar, MCC-JJJ Mining and MCC Ramu.

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We noted from the Valuation Reports that in conducting the valuation of MCC Real Estate and MCC Tongsin Resources, the Valuer had considered each of the fundamental valuation approaches and we understood that:

- Asset-based approach refers to the valuation of each individual identifiable asset and liabilities of the valuation subject to determine the value of the valuation subject on the accounting principle of "assets minus liabilities". As both on- and off-balance sheets' assets and liabilities of MCC Real Estate and MCC Tongsin Resources can be identified, with appropriate methods to assess their value individually, asset-based approach is applicable for valuation of MCC Real Estate and MCC Tongsin Resources.

- Income approach refers to the discount or capitalisation of the valuation subject's expected income to determine the value of valuation subject. As the MCC Real Estate and MCC Tongsin Resources are under the assumption that they can continue as a going concern, with complete historical financial information for its management to analyse and formulate their future economic benefits to be brought by their operations and their operational risks can be reasonably assessed and quantified, income approach is applicable for the valuation of MCC Real Estate and MCC Tongsin Resources.

- Market approach evaluates the current fair market value of an asset using comparable items in the market. However, due to significant differences in business structure, operating model, scale, asset allocation and usage, growth stage, growth potential, operating risk, and financial risk among listed companies in the same industry, and the lack of recent comparable transactions, acquisitions, and mergers, as well as limited access to transaction information in the domestic property rights market, it is difficult to obtain reliable and comparable transaction data. Therefore, the market approach is not applicable for the valuation of MCC Real Estate and MCC Tongsin Resources.

Despite that both asset-based approach and income approach are applicable to the valuation of Non-ferrous Engineering, MCC Duddar and MCC-JJJ Mining, other than the factors as stated under the section headed "C. Valuation of the Target Companies" of the Board Letter, having also considered that (i) the estimation of income, costs, expenses, working capitals and capital expenditures that affect the subject companies future cash flows may be subject to subjective management's judgements, although historical financial information are available for the Valuer to objectively assess the reasonableness of the assumptions used, it is difficult to achieve a strict and stable proportion of various expenditures to accurately forecast the future cash flows of the subject companies; and (ii) in respect of the valuation of MCC-JJJ Mining, MCC-JJJ Mining is a management platform whose principal business consists of commodity trading with its subsidiaries and its business scope is relatively narrow, the Valuer concluded the valuation of Non-ferrous Engineering, MCC Duddar and MCC-JJJ Mining using asset-based approach.

Despite that both asset-based approach and income approach are applicable to the valuation of MCC Real Estate and MCC Tongsin Resources, given that both MCC Real Estate and MCC Tongsin Resources serves as platform companies that incur management cost, the use of asset-based approach by simply assessing the value of each individual asset and liabilities would not be able to reflect its corporate value, the Valuer concluded the valuation of MCC Real Estate and MCC Tongsin Resources using income approach.

Given that (i) the Valuer had considered the applicability of each of the three commonly adopted valuation approaches; and (ii) having considered the aforesaid reasons for not adopting the other two approaches, we concur with the Valuer on the adoption of relevant valuation approaches for the conclusion of the valuation of Target Companies. As the other fundamental valuation approaches were either not applicable or not selected to conclude the Valuation due to the aforesaid reasons, we did not cross-check the Valuation using other valuation methodologies.

As the Valuer adopted income approach to conduct the valuation of MCC Real Estate and MCC Tongsin Resources, which is regarded as profit forecast pursuant to the Listing Rules, the Financial Adviser and the reporting accountants of the Company issued their report on profit forecast. Details of their reports are set out under Appendix VII and Appendix VIII to the Circular.

Asset-based Approach Valuation

Summarised below are the book value and appraisal value of each Asset-based Approach Target Companies under the Asset-based Approach Valuation as at the Reference Date, showing their respective appreciation or depreciation in value under the categories of (i) current assets; (ii) non-current assets; and (iii) liabilities:

	Book value	**Appraisal value**	**Appreciation/ (depreciation)**
	RMB'000	*RMB'000*	*RMB'000*
Non-ferrous Engineering	4,653,835	10,495,579	5,841,744
– Current assets	*167,458*	*167,458*	*Nil*
– Non-current assets	*5,574,352*	*11,401,101*	*5,826,749*
– Liabilities	*1,087,974*	*1,072,980*	*(14,995)*
MCC Duddar	186,239	1,656,721	1,470,482
– Current assets	*362,639*	*434,779*	*72,140*
– Non-current assets	*361,824*	*1,760,165*	*1,398,341*
– Liabilities	*538,223*	*538,223*	*Nil*
MCC-JJJ Mining	2,650,324	7,513,802	4,863,479
– Current assets	*123,432*	*123,432*	*Nil*
– Non-current assets	*3,095,752*	*7,959,118*	*4,863,366*
– Liabilities	*568,859*	*568,747*	*(113)*
MCC Ramu	3	10,914	10,911
– Current assets	*21*	*21*	*Nil*
– Non-current assets	*5,012*	*15,924*	*10,911*
– Liabilities	*5,030*	*5,030*	*Nil*

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1. Current assets

Current assets of the Asset-based Approach Target Companies primarily consisted of cash and bank balances, trade and other receivables, prepayments and inventories, accounting for over 95% of the current assets of the Asset-based Approach Target Companies in aggregate in terms of appraisal value.

In arriving at the appraisal value of the current assets, the Valuer had (i) understood the composition of the current assets of the Asset-based Approach Target Companies; (ii) verified the book value of the current assets by reviewing the books and records of the Asset-based Approach Target Companies; (iii) verified the existence and accuracy of the books and records by performing physical checks and reviewing the debtors' circularisation.

Having considered the verification work conducted by the Valuer, we are of the view that the approach adopted by the Valuer in arriving at the appraisal values of the current assets is fair and reasonable.

2. Non-current assets

Non-current assets of the Asset-based Approach Target Companies primarily consisted of long-term equity investments, investment properties and fixed assets, accounting for approximately 95% of the non-current assets of the Asset-based Approach Target Companies in aggregate in terms of appraisal value.

2.1 Long-term equity investments

We noted from the Valuation Reports of the Asset-based Approach Target Companies that they have ten investee companies that are accounted for as long-term equity investments, and their appraisal values were approximately RMB16 billion in aggregate, representing an appreciation of approximately RMB8 billion as compared to their book value of approximately RMB8 billion in aggregate.

For our due diligence purpose, we reviewed the valuation process of each investee companies of the Asset-based Approach Target Companies and noted that the appreciation in the value of the long-term equity investments was primarily attributable to the appreciation in appraisal values of two investee companies, namely China ENFI Engineering Co., Ltd. ("**China ENFI**") and MCC Ramu NiCo Ltd. ("**Ramu NiCo**"), of approximately RMB8 billion in aggregate. Among the aforesaid, the appreciation in appraisal value of China ENFI was mainly due to the fact that China ENFI is a well-known planning and design institution in the PRC and its strong profitability has resulted in the valuation appreciation; and the appreciation in appraisal value of Ramu NiCo was mainly due to the substantial future revenue generated by the nickel and cobalt mining, along with its robust overall future profitability with valuation methodology incorporated projections of achievable future returns, resulting in valuation appreciation.

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2.1a China ENFI

To assess the fairness and reasonableness of the basis and underlying assumptions used in the valuation of China ENFI, we obtained their underlying valuation model from the Valuer, which consisted of (i) the historical financial information for the three years ended 31 December 2024 and for the seven months ended 31 July 2025; (ii) the financial projection for the five months ending 31 December 2025 and for the five years ending 31 December 2030; and (iii) the calculation of the discounted cash flows. We understood from the Valuer that the financial projection of five-full financial year is commonly adopted for valuation of companies with no restriction on the term of operation. Accordingly, we consider the forecast period, which covers the remaining five months of 2025 since the Reference Date and the five-full financial years ending 31 December 2030 to be reasonable. For our due diligence purpose, we cross-checked key historical financial information with audited financial figures of China ENFI.

As China ENFI is principally engaged in the provision of engineering design and engineering services which has no restriction on the term of operation, and it is assumed that China ENFI is able to continue as a going concern, the Valuer had accounted for the future cash flows of China ENFI beyond the forecast period with no terminal growth rates. We consider the adoption of terminal value beyond the forecast period to be reasonable.

We noted from the valuation model of China ENFI that China ENFI's operating revenue represented the revenue from engineering design and engineering services projects which were estimated based on the historical performance and the future business to be conducted that are reasonably estimated during the forecast period. Based on our discussion with the Valuer, China ENFI's revenue for 2025 was projected based on actual project completion status and implementation progress of on-hand orders of 2025; for 2026 was projected based on the analyses of on-hand projects; for 2027 was projected based on the revenue level of 2026 and potential orders (which were determined by evaluating multiple dimensions such as industry practices, project's maturity level (including its stage in the budget approval process and the progress of commercial negotiations), the history of collaboration with the client, and the competitive dynamics of the market); and for 2028 and onwards were projected based on historical movement trends. Meanwhile, the operating costs of China ENFI for the forecast period were determined with reference to the historical gross profit margin of China ENFI.

The estimated administrative expenses of China ENFI primarily consisted of depreciation and amortisation (as fixed costs), and staff costs (as variable costs). We noted from the valuation model of China ENFI that:

- Depreciation and amortisation of China ENFI were formulated based on (a) the net book value of the China ENFI's fixed assets and intangible assets as at the Reference Date; (b) the depreciation and amortisation rate of each fixed asset and intangible asset; and (c) the estimated capital expenditures during the forecast period and their effect on the depreciation and amortisation.

- Staff costs of China ENFI were formulated based on (a) the number of employees employed by China ENFI as at the Reference Date; (b) the average annual remuneration of each employee.

We noted from the valuation model of China ENFI that the changes in working capital of China ENFI were formulated based on (i) the balance of trade and other receivables, contract assets, inventories and trade and other payables as at the Reference Date; (ii) the estimated turnover days formulated based on the historical turnover days of the respective items for the three years ended 31 December 2024 and for the seven months ended 31 July 2025. We noted from the valuation model of China ENFI that the estimated turnover days were at similar level as those of the respective items for the historical periods.

The discount rate adopted in the valuation of China ENFI was the weighted average cost of capital of China ENFI formulated by the Valuer. We noted from the valuation model that the Valuer adopted capital asset pricing model ("**CAPM**") to formulate the cost of equity of China ENFI; while the cost of debt was determined with reference to interest rates of China ENFI's existing debts as at the Reference Date.

For our due diligence purpose:

- We searched through the internet and noted that CAPM is widely adopted for the purpose of calculating the required rate of return on equity.

- We searched on the website of National Interbank Funding Center (a sub-institution directly affiliated to the People's Bank of China) and noted that the risk-free rate adopted by the Valuer was in line with the government bond yields published on the website of National Interbank Funding Center.

- We obtained the list of comparable companies used for the calculation of the re-levered beta and cross-checked the beta of the selected comparable companies through Wind Financial Terminal. We noted that the beta adopted by the Valuer are consistent with our findings on Wind Financial Terminal.

- We noted that market risk premium adopted by the Valuer was determined with reference to the China Securities Index 300 yield indicator.

Having arrived at the discounted free cash flows of China ENFI, the Valuer had added the value of the excess and non-operating assets and liabilities of China ENFI and subtracted the value of its interest-bearing liabilities to arrive at the equity value of China ENFI.

2.1b Ramu NiCo

To assess the fairness and reasonableness of the basis and underlying assumptions used in the valuation of Ramu NiCo, we obtained their underlying valuation model from the Valuer, which consisted of (i) the historical financial information for the four years ended 31 December 2024 and for the seven months ended 31 July 2025; (ii) the financial projection for the five months ending 31 December 2025 and for the 19 years ending 31 December 2044; and (iii) the calculation of the discounted cash flows. We understood from the Valuer that the forecast period represents the years of mining services available to Ramu NiCo according to the feasibility study on the Ramu Project. For our due diligence purpose, we cross-checked key historical financial information with audited financial figures of Ramu NiCo.

We noted from the valuation model of Ramu NiCo that Ramu NiCo's operating revenue represents the sales of nickel and cobalt products sold by Ramu NiCo and they were estimated based on the estimated annual production of each of nickel and cobalt and their respective unit price. We understood from the Valuer that the estimated annual production of Ramu NiCo were formulated based on the feasibility study on the Ramu Project; and the estimated unit price of nickel and cobalt were formulated with reference to the historical average price of nickel and cobalt as published by LME and the forecasted unit price of nickel and cobalt as published by sources such as S&P Global Rating, Department of Industry, Science and Resources of Australia, the World Bank and the Cobalt Institute.

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The estimated operating costs, administrative expenses, distribution costs and capital expenditures of Ramu NiCo were formulated with reference to relevant historical figures for the four years ended 31 December 2024 and for the seven months ended 31 July 2025, corporate budget and the feasibility study; while the mining royalties to be paid to the local government were formulated based on the estimated annual output of the mine and the prevailing royalty rate as at the Reference Date.

We noted from the valuation model of Ramu NiCo that the changes in working capital of Ramu NiCo were formulated based on (i) the balance of trade and other receivables, contract assets, inventories and trade and other payables as at the Reference Date; (ii) the estimated turnover days formulated based on the historical turnover days of the respective items for the four years ended 31 December 2024 and for the seven months ended 31 July 2025. We noted from the valuation model of Ramu NiCo that the estimated turnover days were at similar level as those of the respective items for the historical periods.

The discount rate adopted in the valuation of Ramu NiCo was the weighted average cost of capital of Ramu NiCo formulated by the Valuer. We noted from the valuation model that the Valuer adopted CAPM to formulate the cost of equity of Ramu NiCo; while the cost of debt was determined with reference to interest rate of Ramu NiCo's existing debts as at the Reference Date. We understood from the Valuer as (i) Ramu NiCo operates in Papua New Guinea, which has no established capital market; and (ii) the Vendors and the Purchaser are domiciled in the PRC, the Valuer had adopted the valuation parameters based on indicators of the Chinese capital market in formulating the discount rate to reflect the required rate of return on their investment in Ramu NiCo.

For our due diligence purpose:

- We searched through the internet and noted that CAPM is widely adopted for the purpose of calculating the required rate of return on equity.

- We searched on the website of National Interbank Funding Center (a sub-institution directly affiliated to the People's Bank of China) and noted that the risk-free rate adopted by the Valuer was in line with the interest rates of government bonds published on the website of National Interbank Funding Center.

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Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

- We obtained the list of comparable companies used for the calculation of the re-levered beta and cross-checked the beta of the selected comparable companies through Wind Financial Terminal. We noted that the beta adopted by the Valuer are consistent with our findings on Wind Financial Terminal.

- We noted that the market risk premium adopted by the Valuer was determined with reference to the China Securities Index 300 yield indicator.

Having arrived at the discounted free cash flows of Ramu NiCo, the Valuer had added the value of the excess and non-operating assets and liabilities of Ramu NiCo and subtracted the value of its interest-bearing liabilities to arrive at the equity value of Ramu NiCo.

2.2 Investment properties

We noted from the Valuation Reports that the investment properties of the Asset-based Approach Target Companies primarily consisted of office buildings held by Non-ferrous Engineering and were valued by the Valuer using either income approach or market approach, depending on their nature and intended usage. For our due diligence purpose, we obtained and reviewed the illustration of the valuation process for one of the investment properties of the Asset-based Approach Target Companies. We noted from the illustration that:

- For the proportion of the investment property that may be sold (the "**Market Approach Property**"), the Valuer had adopted market approach by comparing the price of comparable properties that located in the same region as the subject property, and made adjustment to the reference unit price based on the various factors to arrive at the adjusted unit price applied to the Market Approach Property.

- For the proportion of the investment property that may not be sold (the "**Income Approach Property**"), the Valuer had adopted income approach using the rental capitalisation method by estimating the income, less the estimated direct costs, during the remaining life of the Income Approach Property, discounted with reference to the required rate of return.

In valuing the Market Approach Property, the Valuer first identified the transaction of three properties located in the same region with the same intended usage as the Market Approach Property (the "**Comparable Properties**") that took place during 2025. We consider the transactions of the Comparable Properties are fair and representative for the purpose of deriving the reference price of the Market Approach Property. Having derived the reference unit price (per sqm) of the Market Approach Property, the Valuer then compared the quantitative characteristics (such as difference in floor area, transaction date, remaining useful lives) and qualitative characteristics (such as transportation convenience, public facilities and structural and functional integrity) of the Comparable Properties and scored the Comparable Properties against the Market Approach Property to arrive at the adjustment factor to the reference unit price and the adjusted unit price.

In valuing the Income Approach Property, the Valuer had estimated (i) the income with reference to (a) the rents under the existing tenancy agreements; (b) interest income on the rental deposit received based on the existing one-year deposit interest rate; and (c) the estimated vacancy rate; and (ii) the direct costs were estimated with reference (a) the rate of various type of taxes and surcharge applicable to the Income Approach Property; (b) estimated insurance and maintenance fees as a percentage of the construction costs of the Income Approach Property; and (c) estimated administrative expenses as a percentage of the estimated rental income.

Having arrived at the free cash flows of the Income Approach Property during its remaining useful life, the Valuer discounted the free cash flows based on the discount rate determined by the Valuer using risk aggregation method, representing the expected rate of return on an investment based on various type of risk premium. We understood from the Valuer that risk aggregation method is typically used for determining the required rate of return of an investment project; whereas weighted average cost of capital is typically used to determine the required rate of return of a company. Under risk aggregation method, the Valuer had accumulated the risk-free rate and the specific risks associated with the Income Approach Property.

To assess the fairness and reasonableness of the valuation inputs and the underlying assumption used by the Valuer:

- We examined the transaction records of the Comparable Properties and searched for the location of the Comparable Properties to verify the timing of such transactions and whether the Comparable Properties are located in similar region as the Market Approach Property.

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Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

- We examined the adjustment scoresheet prepared by the Valuer in determining the adjustment factors applied to the reference unit price of the Market Approach Property and nothing has come to our attention that cause us to doubt the fairness and reasonableness of the adjustment factors adopted.

- We examined samples of the existing tenancy agreements of the Income Approach Property to verify the unit rent adopted in estimating the rental income of the Income Approach Property.

- We enquired into the Directors regarding the historical vacancy rate of the Income Approach Property and we understood that the historical vacancy rates were in line with the estimated vacancy rate adopted in estimating the rental income of the Income Approach Property.

- We cross-checked the deposit interest rate used by the Valuer against the prevailing one-year deposit interest rate published by commercial banks in the PRC to verify the assumptions used in estimating the interest income on the rental deposit of the Income Approach Property.

- We reviewed the parameters used in formulating the discount rate and noted that (a) the risk-free rate adopted represents the one-year deposit interest rate as mentioned above; and (b) the specific risks were determined by the Valuer after taking into account the relevant industry risk, operating risk and financial risk.

Based on our review on the valuation illustration and our assessment on the valuation inputs and assumptions adopted, we consider the approaches adopted by the Valuer and the underlying assumptions used are fair and reasonable.

2.3 Fixed assets

In arriving at the appraisal values of the fixed assets, the Valuer had adopted replacement costs method or market comparison method to estimate the costs to replace or reconstruct each individual fixed asset at its existing status, depending on their applicability to each individual fixed asset.

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Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

For our due diligence purpose, we reviewed illustrations of the valuation process for 15 individual fixed assets of the Asset-based Approach Target Companies as provided by the Valuer. We noted from the Valuer that:

- For buildings and structures, the Valuer had (1) estimated the price for the reconstruction and installation with reference to the Notice of the Beijing Municipal Housing and Urban-Rural Development Commission on Adjusting the Fee and Rates of Beijing Construction Projects* (《北京市住房和城鄉建設委員會關於調整北京市建設工程規費費率的通知》) (the "**Construction Rates Notice**"), Beijing Construction Project Budget Quota * (《北京市建設工程預算定額》) (the "**Construction Budget Quota**") and Beijing Pricing Information (July 2025)* (《北京信息價(2025年7月)》) (the "**Pricing Information**"), or similar guidance notices or budget quota as published by the local authority of other municipal regions; (2) taken into account the cost of capital and relevant taxes based on prevailing interest and tax rates as at the Reference Date; and (3) applied discount with the composite newness rates that are determined with reference to their remaining useful lives, structural and functionality status as at the Reference Date.

- For specific-use machineries and equipment (the "**Specific-Use Assets**"), the Valuer determined the estimated acquisition costs based on the original acquisition costs of such assets and the recent listing of the same items or similar items with the same functionality (the "**Comparable Assets**"), applied discount with the composite newness rates that are determined with reference to their remaining useful lives, structural and functionality as at the Reference Date after taking into account the associated transportation and installation costs and relevant costs of capital.

- For generic-used machinery and equipment with sufficient market transactions (the "**Generic-Use Assets**"), the Valuer had transaction records and recent listing of the Comparable Assets and adjusted based on the remaining useful lives and functionality as at the Reference Date.

To assess the fairness and reasonableness of the valuation inputs and assumptions used by the Valuer:

- We reviewed the Construction Rates Notice, Construction Budget Quota, and the Pricing Information and noted that these publications were intended to standardise and stipulate the construction costs of building and structures located in Beijing.

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Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

- We verified the cost of capital and relevant tax rates adopted in arriving at the adjusted construction costs of the Specific-Use Assets based on the prevailing loan prime rate as published by the People's Bank of China and the prevailing applicable tax rates as published by the State Taxation Administration of the PRC.

- We reviewed the transaction records and listing information of the comparable transactions identified by the Valuer to assess the appraisal value of the Generic-Use Assets and noted that (i) the assets of the comparable transactions had the same functionality as the subject machineries and equipment. We consider the criteria for selecting the comparable transactions are suitable and they are fair and representative samples for the purpose of assessing the appraisal values of the generic-used fixed assets.

- We reviewed the calculation of the composite newness rates of the buildings and structures and Specific-Use Assets, and the adjustment factors applied to the Generic-Use Assets. We noted that the composite newness rates and the adjustments to the Generic-Use Assets were made to cover both quantitative (such as construction or transaction dates, floor area, number of storeys, age) and qualitative (such as intended use, functionality and decoration status) factors. We do not doubt the adjustments factors adopted for the purpose of assessing the appraisal value of the buildings and structures, Specific-Use Assets and the Generic-Use Assets.

Based on our review on the valuation illustrations and our assessment on the valuation inputs and underlying assumptions adopted, we consider the approaches adopted by the Valuer and the underlying assumptions used are fair and reasonable.

3. Liabilities

We noted from the Valuation Reports that the liabilities of the Asset-based Approach Target Companies primarily consist of trade and other payables, non-current payables, borrowings and deferred income.

In arriving at the appraisal values of the liabilities, the Valuer had verified the existence and accuracy of such liabilities by reviewing the relevant accounting records, documents, invoices and the creditors' circularisation.

We noted the differences between the book values and appraisal values of the liabilities of the Target Companies were all attributed by the depreciation of their government subsidies under deferred income. The Valuer had reviewed the relevant subsidies documents and confirmed that the Asset-based Approach Target Companies have reduced future repayment obligations in respect of these government subsidies.

Having considered the verification work conducted by the Valuer, we are of the view that the approach adopted by the Valuer in arriving at the appraisal values of the liabilities are fair and reasonable.

Having considered the aforesaid and during our discussion with the Valuer, we have not identified any major factor which caused us to doubt the reasonableness of the assumption used in the Asset-based Approach Valuation.

Valuation of MCC Real Estate and the Debts

To assess the fairness and reasonableness of the basis and underlying assumptions used in the valuation of MCC Real Estate, we obtained the underlying valuation model of MCC Real Estate from the Valuer, which consisted of (i) the historical financial information of MCC Real Estate for the four years ended 31 December 2024 and for the seven months ended 31 July 2025; (ii) the financial projection of MCC Real Estate for the five months ending 31 December 2025 and for the five years ending 31 December 2030; and (iii) the calculation of the discounted cash flows. We understood from the Valuer that the financial projection of five-full financial year is commonly adopted for valuation of companies with no restriction on the term of operation. Accordingly, we consider the forecast period, which covers the remaining five months of 2025 since the Reference Date and the five-full financial years ending 31 December 2030 to be reasonable. For our due diligence purpose, we cross-checked key historical financial information with audited financial figures of MCC Real Estate.

As MCC Real Estate is a management platform company which has no restriction on the term of operation, and it is assumed that MCC Real Estate is able to continue as a going concern, the Valuer had accounted for the future cash flows of MCC Real Estate beyond the forecast period with no terminal growth rates. We consider the adoption of terminal value beyond the forecast period to be reasonable.

MCC Real Estate, on a standalone basis, had not generated any operating income from its principal business (i.e. the property development) historically. The management of MCC Real Estate estimated that it will not generate any operating income from its principal business and thus will not incur any corresponding operating costs during the forecast period.

We noted from the valuation model of MCC Real Estate that MCC Real Estate had historically generated investment income from its investee companies. As the appraisal value of its investee companies were valued under the excess and non-operating assets and liabilities as detailed below, no estimated investment income was ascribed to MCC Real Estate during the forecast period.

The estimated administrative expenses of MCC Real Estate primarily consisted of depreciation and amortisation (as fixed costs), and staff costs (as variable costs). We noted from the valuation model of MCC Real Estate that:

- Depreciation and amortisation of MCC Real Estate were formulated based on (a) the net book value of MCC Real Estate's fixed assets and intangible assets as at the Reference Date; (b) the depreciation and amortisation rate of each fixed asset and intangible asset; and (c) the estimated capital expenditures during the forecast period and their effect on the depreciation and amortisation.

- Staff costs of MCC Real Estate were formulated based on (a) the number of employees employed by MCC Real Estate as at the Reference Date; (b) the average annual remuneration of each employee, which were consistent with that for the historical period; and (c) the estimated decrease in number of employees throughout the forecast period as the real estate projects managed by MCC Real Estate gradually monetise.

We noted from the Valuation Report that the changes in working capital of MCC Real Estate were formulated based on (i) the balance of prepayments, accruals and other payables as at the Reference Date; (ii) the amount of expenses to be settled in each month by referencing the estimated administrative expenses and excluding the non-cash expenses such as depreciation and amortisation of non-current assets; and (iii) the minimum cash balances to be maintained by MCC Real Estate.

We consider the basis and assumption used in the cash flow projection, which were formulated after taking into account the forecasted profit or loss of MCC Real Estate, the non-cash expenses and the working capital changes of MCC Real Estate, to be fair and reasonable.

We noted from the Valuation Report of MCC Real Estate that the Valuer adopted risk aggregation method to formulate the discount rate of MCC Real Estate, which represent the aggregated risks associated with the operation of MCC Real Estate. As aforementioned, risk aggregation method is typically used to determine the required rate of return of an investment project, whereas weighted average cost of capital is typically used to determine the required rate of return of a company. However, as MCC Real Estate is only a management platform company with no actual operation other than management of its projects, we consider it would be impracticable to identify companies comparable to MCC Real Estate with information publicly available for the purpose of determining the beta used to formulate the weighted average cost of capital. As such, we consider the use of risk aggregation method to determine the discount rate of MCC Real Estate to be justifiable.

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Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Under risk aggregation method, the Valuer had aggregated various types of risks, such as the risk-free rate, industry risk premium and the specific risk premium (including operational and financial risks) associated with MCC Real Estate. We noted from the Valuation Report of MCC Real Estate that:

- Risk-free rate was determined by the Valuer with reference to the government bond yield published on the website of National Interbank Funding Center.

- Industry risks refer to the risks associated with the uncertainties caused by market characteristics.

- Financial risks refer to external risks associated with the financial markets, such as interest rate and foreign exchange risks; while operational risks refer to internal risks arising from the management of the real estate projects, such as market demands, supply chain management and operational management.

Although the abovementioned risk premiums were subjectively determined by the Valuer based on the Valuer's experience, having considered our assessment on the Valuer's qualification and independence as detailed under the sub-section headed "Qualification and independence" above, we do not doubt the discount rate adopted in the valuation of MCC Real Estate.

Having arrived at the discounted free cash flows of MCC Real Estate, the Valuer had added the value of the excess and non-operating assets and liabilities of MCC Real Estate (including long-term equity investments in investee companies) and subtracted the value of its interest-bearing liabilities to arrive at the equity value of MCC Real Estate.

We noted from the Valuation Report of MCC Real Estate that the aggregate appraisal values of the investee companies held by MCC Real Estate were depreciated of approximately RMB19 billion as compared to their aggregate book value. For our due diligence purpose, we reviewed the valuation process of each investee companies of MCC Real Estate and noted that the depreciation in the value of the long-term equity investments was primarily attributable to the relevant investee companies that the Valuer adopted asset-based approach to assess their appraisal values, the depreciation in appraisal value of which was approximately RMB20 billion in aggregate. We discussed with the Valuer and understood that MCC Real Estate holds controlling rights and/or their financial statements together with the composition of the underlying assets and liabilities were available to the Valuer to objectively assess the value of these investee companies using asset-based approach and thus we consider the use of asset-based approach for the valuation of these investee companies is fair and reasonable.

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Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

We noted from the valuation process for the investee companies which adopted asset-based approach that (1) the current assets of these investee companies primarily consist of cash and bank balances, trade and other receivables, prepayments and inventories; (2) the non-current assets of these investee companies primarily consist of fixed assets, intangible assets and investments properties; (3) the liabilities of these investee companies primarily consist of trade and other payables and non-current payables. We noted that the decrease in appraisal values of the assets and liabilities of these investee companies as compared to their book values was primarily due to the difference of the following items (after taking into account the percentage of equity attributable to MCC Real Estate):

(i) the substantial decrease in appraisal values of these investee companies' inventories (mainly property projects which comprised of development costs for properties under development and developed properties) of approximately RMB15 billion in aggregate; and

(ii) the decrease in appraisal values of fixed assets, investment properties and prepayments of approximately RMB3 billion in aggregate.

In arriving at the appraisal values of the aforesaid individual assets and liabilities (except for development costs for properties under development and developed properties), the Valuer adopted the same valuation bases and assumptions as those underlying the valuation of the Asset-based Approach Target Companies, which we considered to be fair and reasonable. Based on our review on the valuation process of the Asset-based Approach Target Companies, we consider the approaches adopted by the Valuer and the underlying assumptions used to value the long-term equity investments of MCC Real Estate are fair and reasonable.

In respect of development costs for properties under development and developed properties, the appraisal values were primarily formulated by the Valuer based on (i) the estimated saleable floor area of each type of property of the property projects to be sold during their respective sales period; (ii) the estimated unit selling price (by square meter) of each type of property of the property projects; (iii) the relevant costs and taxes associated with the development and sales of the property projects; and (iv) the discount rates of the property projects. We noted from the valuation model of these investee companies that:

(1) Both the estimated saleable floor area and the estimated unit selling price of each of type property to be sold were in line with the development of the PRC's real estate industry as detailed under the sub-section headed "Real estate property development segment" of the section headed "Reasons for and benefits of the Disposals" above.

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Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

(2) Development costs, infrastructure costs and capitalised finance costs of the property projects be paid were formulated based on the planned costs and financing required for the property projects, the amounts paid up to the Reference Date and the remaining amount scheduled to be paid during the forecast period.

(3) The relevant taxes of the property projects were formulated based on the prevailing tax rates and the income derived from the property projects.

(4) The discount rates adopted in the valuation of development costs for properties under development represented the weighted average cost of capital of the property projects, comprising the cost of equity formulated by the Valuer using CAPM and the cost of debt formulated by the Valuer with reference to the borrowing costs of the property projects. For our due diligence purpose:

- We searched through the internet and noted that CAPM is widely adopted for the purpose of calculating the required rate of return on equity.

- We searched on the website of National Interbank Funding Center (a sub-institution directly affiliated to the People's Bank of China) and noted that the risk-free rate adopted by the Valuer was in line with the interest rates of government bonds published on the website of National Interbank Funding Center.

- We obtained the list of comparable companies used for the calculation of the re-levered beta and cross-checked the beta of the selected comparable companies through Wind Financial Terminal. We noted that the beta adopted by the Valuer are consistent with our findings on Wind Financial Terminal.

- We noted that the market risk premium adopted by the Valuer was determined with reference to the China Securities Index 300 yield indicator.

Based on the above, we consider the parameters adopted by the Valuer in arriving at the value of the development costs for properties under development and the developed properties to be fair and reasonable.

In respect of the Debts (i.e. the Debts of MCC Real Estate of the portfolio of the underlying assets of MCC Real Estate contemplated under the First Sale and Purchase Agreement), we noted from the Valuation Report of MCC Real Estate that the Valuer had reviewed the relevant contracts, agreement and original accounting vouchers to verify the book value of the Debts. Having also taken into account the recoverability status and the cause of the Debts, the Valuer considered that no impairment shall be provided on the Debts and thus the market value of the Debts is the same as the book value as at the Reference Date.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Having considered the aforesaid and during our discussion with the Valuer, we have not identified any major factor which caused us to doubt the reasonableness of the assumption used in the valuation of MCC Real Estate and the Debts.

Valuation of MCC Tongsin Resources

To assess the fairness and reasonableness of the basis and underlying assumptions used in the valuation of MCC Tongsin Resources, we obtained the underlying valuation model of MCC Tongsin Resources from the Valuer, which consisted of (i) the historical financial information of MCC Tongsin Resources for the four years ended 31 December 2024 and for the seven months ended 31 July 2025; (ii) the financial projection of MCC Tongsin Resources for the five months ending 31 December 2025 and for the five years ending 31 December 2030; and (iii) the calculation of the discounted cash flows. We understood from the Valuer that the financial projection of five-full financial year is commonly adopted for valuation of companies with no restriction on the term of operation. Accordingly, we consider the forecast period, which covers the remaining five months of 2025 since the Reference Date and the five-full financial years ending 31 December 2030 to be reasonable. For our due diligence purpose, we cross-checked key historical financial information with audited financial figures of MCC Tongsin Resources.

As MCC Tongsin Resources is a management platform company which has no restriction on the term of operation, and it is assumed that MCC Tongsin Resources is able to continue as a going concern, the Valuer had accounted for the future cash flows of MCC Tongsin Resources beyond the forecast period with no terminal growth rates. We consider the adoption of terminal value beyond the forecast period to be reasonable.

We also noted from the valuation model of MCC Tongsin Resources that MCC Tongsin Resources had historically generated investment income from its investee companies. As the appraisal value of its investee companies were valued under the excess and non-operating assets and liabilities as detailed below, no estimated investment income was ascribed to MCC Tongsin Resources during the forecast period.

The estimated administrative expenses of MCC Tongsin Resources primarily consisted of depreciation and amortisation (as fixed costs), and staff costs (as variable costs). After reviewing the valuation model of MCC Tongsin Resources and discussing with the Valuer, we noted that:

- Depreciation and amortisation of MCC Tongsin Resources were formulated based on (a) the net book value of MCC Tongsin Resources' fixed assets and intangible assets as at the Reference Date; (b) the depreciation and amortisation rate of each fixed asset and intangible asset; and (c) the estimated capital expenditures during the forecast period and their effect on the depreciation and amortisation.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

- Staff costs of MCC Tongsin Resources were formulated based on the following factors, (a) the number of employees of MCC Tongsin Resources as at the Reference Date; and (b) the average annual compensation of each employee (which is consistent with the historical levels).

We noted from the Valuation Report that the changes in working capital of MCC Tongsin Resources were formulated based on (i) the balance of trade and other receivables and trade and other payables as at the Reference Date; (ii) the estimated turnover days formulated based on the historical turnover days of the respective items for the three years ended 31 December 2024 and for the seven months ended 31 July 2025.

We consider the basis and assumption used in the cash flow projection, which were formulated after taking into account the forecasted profit or loss of MCC Tongsin Resources, the non-cash expenses and the working capital changes of MCC Tongsin Resources, to be fair and reasonable.

We noted from the Valuation Report of MCC Tongsin Resources that the Valuer adopted risk aggregation method to formulate the discount rate of MCC Tongsin Resources, which represent the aggregated risks associated with the operation of MCC Tongsin Resources. As aforementioned, risk aggregation method is typically used to determine the required rate of return of an investment project, whereas weighted average cost of capital is typically used to determine the required rate of return of a company. However, as MCC Tongsin Resources is only a management platform company with no actual operation other than management of its projects, we consider it would be impracticable to identify companies comparable to MCC Tongsin Resources with information publicly available for the purpose of determining the beta used to formulate the weighted average cost of capital. As such, we consider the use of risk aggregation method to determine the discount rate of MCC Tongsin Resources to be justifiable.

Under risk aggregation method, the Valuer had aggregated various types of risks, such as the risk-free rate, industry risk premium and the specific risk premium (including operational and financial risks) associated with MCC Tongsin Resources.

We noted from the Valuation Report of MCC Tongsin Resources that the risk-free rate was determined by the Valuer with reference to the government bond yield published on the website of National Interbank Funding Center on the basis that the Vendors and the Purchaser are domiciled in the PRC and the use of PRC's government bond yield reflects the minimum return expected from a Chinese investment.

The characteristics and basis of the risk premiums are detailed under the sub-section headed "Valuation of MCC Real Estate and the Debts" above.

Although the risk premiums were subjectively determined by the Valuer based on the Valuer's experience, having considered our assessment on the Valuer's qualification and independence as detailed under the sub-section headed "Qualification and independence" above, we do not doubt the discount rate adopted in the valuation of MCC Tongsin Resources.

Having arrived at the discounted free cash flows of MCC Tongsin Resources, the Valuer had added the value of the excess and non-operating assets and liabilities of MCC Tongsin Resources (including long-term equity investments in investee companies) and subtracted the value of its interest-bearing liabilities to arrive at the equity value of MCC Tongsin Resources.

We noted from the Valuation Report of MCC Tongsin Resources that it has eight investee companies that are accounted for as long-term equity investments, and their appraisal values were approximately RMB11 billion in aggregate, representing an appreciation of approximately RMB8 billion as compared to their book value of approximately RMB3 billion in aggregate. For our due diligence purpose, we reviewed the valuation process of each investee companies of Tongsin Resources and noted that the appreciation in the value of the long-term equity investments was primarily attributable to the rise in the overseas copper mining companies' projected profitability (which led to significant growth in their corporate value) as a result of the sustained increase in international copper prices in recent years. We obtained the valuation models of these investee companies together with underlying calculation and noted that the increase in the appraisal value of these investee companies primarily due to its intangible assets (i.e. the mining rights held by the investee companies in respect of the overseas mining projects, the "**Intangible Assets**") of approximately RMB8 billion in aggregate.

We noted from the supporting documents and the underlying calculation that:

- The forecast period of the Intangible Assets was determined with reference to the mineral reserves of the respective mine as at the Reference Date and the estimated annual output of the respective mine according to their respective feasibility study.

- The estimated operating revenue to be derived from the Intangible Assets were formulated based on (i) the estimated annual output according to their respective feasibility study; (ii) the estimated unit price of the minerals with reference to the historical average unit price published by the London Metal Exchange taking into account the difference in purity of the mineral resources.

- The estimated operating costs, administrative expenses, distribution costs and capital expenditures were formulated with reference to their respective feasibility study; while the mining royalties to be paid to the local government were formulated based on the estimated annual output of the mines and the royalty rates as at the Reference Date.

The discount rates of the Intangible Assets, which represent the accumulated risks associated with the operation of these mines, was determined based on the risk aggregation method. As aforementioned, risk aggregation method is typically used to determine the required rate of return of an investment project, whereas weighted average cost of capital is typically used to determine the required rate of return of a company. As such, we consider the use of risk aggregation method to formulate the discount rates of the Intangible Assets to be reasonable.

Under risk aggregation method, the Valuer had aggregated various types of risks, including risk-free rate and specific risk premium (such as exploration and development risks, industry risks, financial and operational risks and economic risks) associated with the Intangible Assets. We noted from the supporting documents that:

- Risk-free rate was determined by the Valuer with reference to the government bond yields published on the website of National Interbank Funding Center on the basis that these mining projects were funded by Chinese funds.

- Exploration and development risks were determined by the Valuer with reference to the stage of exploration of the respective mines.

- Industry risks refer to the risks associated with the uncertainties caused by market characteristics, investment characteristics, development characteristics and other factors, and they were determined with reference to the global development of the renewable energy industry and the decarbonisation strategies, which would affect the future demands for the mineral resources.

- Financial risks refer to external risks associated with the financial markets, such as interest rate and foreign exchange risks; while operational risks refer to internal risks arising from the operation of the mines, such as market demands, supply chain management and operational management.

- Economic risks refer to the changes to economic environment, such as industrial policies, fiscal policies, financial policies and changes in economic development policies, which would affect investors' reasonable expectation on the return of an investment project.

Although most of the abovementioned risk premium were subjectively determined by the Valuer based on the Valuer's experience, having considered our assessment on the Valuer's qualification and independence as detailed under the sub-section headed "Qualification and independence" above, we do not doubt the discount rates adopted in the valuation of the Intangible Assets.

Based on the above, we consider the parameters adopted by the Valuer in arriving at the value of the Intangible Assets to be fair and reasonable.

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Having considered the aforesaid and during our discussion with the Valuer, we have not identified any major factor which caused us to doubt the reasonableness of the assumption used in the valuation of MCC Tongsin Resources.

Set out below are the value of the entire equity interests of the Target Companies and the Debts as at the Reference Date, the value of Target Equity Interests as represented by the Valuation and the Debts, and the consideration for the Target Equity Interests and the Debts:

Subject	**Valuation**	**Equity interests sought**	**Value of the Target Equity Interests and the Debts**	**Consideration**
	RMB'000		*RMB'000*	*RMB'000*
First Disposal:				
MCC Real Estate and the Debts	31,236,589.8	100%	31,236,589.8	31,236,589.8
Second Disposal:				
Non-ferrous Engineering	10,495,579.0	100%	10,495,579.0	
MCC Tongsin Resources	12,240,720.6	100%	12,240,720.6	
MCC Duddar	1,656,720.5	100%	1,656,720.5	
MCC-JJJ Mining	7,513,802.4	67.02%	5,035,798.6	
MCC Ramu	10,913.9	100%	10,913.9	
Sub-total	31,917,736.4		29,439,732.6	29,439,732.6
Total	**63,154,326.2**		**60,676,322.4**	**60,676,322.4**

Given that the consideration for the Disposals represents the value of the Target Equity Interests and the Debts as at the Reference Date, we are of the view that the consideration for the Target Equity Interests are fair and reasonable.

Transitional Arrangements

From the Reference Date until the last day of the month in which the Handover Date falls, any profits or losses (including any profits or losses generated by activities outside the ordinary and usual course of business of MCC Real Estate) and the interests accrued on the Debts related to the First Disposal (i.e. the First Disposal Transitional Profits and Losses Attributable to the Vendor) shall be enjoyed and borne by the Company. From the first day of the month following the Handover Date, any profits or losses related to the Target Equity Interests and the interests accrued on the Debts of MCC Real Estate shall be enjoyed and borne by Minmetals Land Holdings, unless otherwise agreed by the parties. For the avoidance of doubt, the interest under Debts shall be calculated according to original standard as of the Reference Date.

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From the Reference Date until the last day of the month in which the Handover Date falls, any profits or losses (including any profits or losses generated by activities outside the ordinary and usual course of business of Target Companies) related to the Target Equity Interests under the Second Disposal (i.e. the Second Disposal Transitional Profits and Losses Attributable to the Vendors) shall be enjoyed and borne by the Vendors or their designated entity(ies). From the first day of the month following the Handover Date, any profits or losses related to the Target Equity Interests under the Second Disposal shall be enjoyed and borne by China Minmetals or its designated entity(ies), unless otherwise agreed by the parties.

Following the Handover Date, the Vendors, Minmetals Land Holdings and China Minmetals (as the case may be) shall commence an audit of the First Disposal Transitional Profits and Losses Attributable to the Vendor and the Second Disposal Transitional Profits and Losses Attributable to the Vendors. Settlement and payment of such profits and losses shall be completed within 30 days after the issuance date of the relevant audit report or date of Completion (whichever is later).

Possible financial effect of the Disposals

With reference to the Board Letter, after completion of the Disposals, each of the Target Companies will cease to be subsidiaries of the Company and the financial results of each of the Target Companies will no longer be consolidated into the financial statements of the Company.

The unaudited pro forma information of the Remaining Group (the "**Pro Forma Information**") is included in Appendix III to the Circular.

As extracted from the 2025 Interim Report, the unaudited consolidated total assets and total liabilities of the Group were approximately RMB857.4 billion and RMB676.8 billion as at 30 June 2025 respectively. According to the Pro Forma Information, the unaudited total assets and total liabilities of the Remaining Group would be approximately RMB824.2 billion and RMB650.0 billion respectively as if the Completion took place on 30 June 2025.

As extracted from the 2024 Annual Report, the audited total operating revenue, operating profit and net profit of the Group were approximately RMB552.0 billion, RMB9.1 billion and RMB7.9 billion for FY2024 respectively. According to the Pro Forma Information, the unaudited revenue, operating profit and net profit of the Remaining Group for FY2024 would be approximately RMB536.2 billion, RMB11.0 billion and RMB9.3 billion respectively as if the Completion took place on 1 January 2024.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial performance and position of the Group will be upon Completion.

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RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Sale and Purchase Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and (ii) although the Sale and Purchase Agreements and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreements and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited

Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.

* *for identification purposes only*