

30 May 2025

*To: The independent board committee and the independent shareholders  
of China Aluminum International Engineering Corporation Limited*

Dear Sir/Madam,

## CONTINUING CONNECTED TRANSACTIONS

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the provision of commodities by the Company to China Aluminum Group under the Commodities Sales and Purchases Master Agreement (including relevant annual caps) (the "Sales Transactions"); (ii) the provision of commodities to the Company by China Aluminum Group under the Commodities Sales and Purchases Master Agreement (including relevant annual caps) (the "Purchase Transactions"); and (iii) the provision of engineering services to China Aluminum Group by the Company under the Engineering Services Master Agreement (the "Engineering Transactions", together with the Sales Transactions and the Purchase Transactions, the "Transactions", together with the Commodities Sales and Purchases Master Agreement and the Engineering Services Master Agreement, the "Agreements"), details of which are set out in the letter from the Board (the "Board Letter") contained in the circular dated 30 May 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.

As the existing commodities sales and purchases master agreement and the engineering services master agreement entered into between the Company and China Aluminum Group on 28 December 2022 will expire on 31 December 2025, the Company entered into the Commodities Sales and Purchases Master Agreement and Engineering Services Master Agreement with China Aluminum Group on 26 May 2025 in order to meet the business needs and to arrange the management. The aforesaid agreements shall come into force upon approval by the general meeting of the Company, which shall be valid from 1 January 2026 until 31 December 2028.

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. ZHANG Tingan, Mr. SIU Chi Hung and Mr. TONG Pengfang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the AGM. 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 the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to continuing connected transactions, discloseable transactions and major transactions (details of which are set out in the Company's circular dated 17 May 2024). Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only independent financial adviser engagement and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

## 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 are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transactions. 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.

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 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.

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 Aluminum Group and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. 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.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

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

### 1. Background of and reasons for the Transactions

#### *Information on the Group*

With reference to the Board Letter, the Company is a leading technology, engineering service and equipment provider in the non-ferrous metals industry in China, capable of providing full business-chain integrated engineering solutions throughout various stages of the non-ferrous metals industry chain. The Group is primarily engaged in design consulting business, EPC business, equipment manufacturing business.

#### *Information on China Aluminum Group*

According to the Board Letter, China Aluminum Group is a state-owned enterprise established under the laws of the PRC in 2001. China Aluminum Group is a controlling Shareholder of the Company and directly holds 72.90% of the issued share capital of the Company. China Aluminum Group is principally engaged in mineral resources development, smelting and processing of non-ferrous metals, relevant trading and engineering and technical services. The ultimate beneficial owner of China Aluminum Group is the State-owned Assets Supervision and Administration Commission of the State Council.

#### *Reasons for and benefits of the Transactions*

##### *(i) The Sales Transactions*

Reasons for and benefits of the Sales Transactions are set out under the sub-section headed "Reasons for and benefits of the transactions" under the section headed "1. COMMODITIES SALES AND PURCHASES MASTER AGREEMENT — PROVISION OF COMMODITIES BY THE COMPANY TO CHINA ALUMINUM GROUP" of the Board Letter.

We further discussed with the Directors and understood that the process of equipment manufacturing in the nonferrous metals industry is highly technical and the equipment is subject to a number of different construction and technical standards. Given the unmatched familiarity the Group has with China Aluminum Group, the Directors believe that the Group is in a more competent position to manufacture equipment that is in full accordance with China Aluminum Group's requirements. We also noted that the Group has been providing similar commodities before its listing on the Stock Exchange in 2009 to both the independent third parties and China Aluminum Group. As advised by the Directors, economies of scale could be achieved by bulk production of the similar goods, which may further reduce the cost of production as compared to the low-level

production of goods (i.e. fixed cost will be reduced by bulk production of similar goods). Furthermore, we understood from the Directors that the Sales Transactions are revenue nature for the Group.

With reference to the Board Letter, the Sales Transactions are carried out in the ordinary and usual course of business of the Group. As also confirmed by the Directors, the Sales Transactions are conducted on a frequent basis. Therefore, the Directors consider that it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules. Accordingly, the Directors are of the view that the Sales Transactions will be beneficial to the Company and the Shareholders as a whole.

In light of the above factors, we concur with the Directors that the Sales Transactions are carried out in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

*(ii) The Purchase Transactions*

Reasons for and benefits of the Purchase Transactions are set out under the sub-section headed "Reasons for and benefits of the transactions" under the section headed "2. COMMODITIES SALES AND PURCHASES MASTER AGREEMENT — PROVISION OF COMMODITIES TO THE COMPANY BY CHINA ALUMINUM GROUP" of the Board Letter.

As advised by the Directors, the commodities purchase under the Purchase Transactions are mainly applied for the engineering construction as provided by the Company to China Aluminum Group. Accordingly, the Purchase Transactions are part of, or in connection with, the Company's principal business activities and are expected to grow the Company's revenue and/or provide the Company with overall business and operational convenience and synergistic benefits.

With reference to the Board Letter, the Purchase Transactions are conducted in the ordinary and usual course of business of the Company. As also confirmed by the Directors, the Purchase Transactions are conducted on a frequent basis. Therefore, the Directors consider that it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules. Accordingly, the Directors are of the view that the Purchase Transactions will be beneficial to the Company and the Shareholders as a whole.

In light of the above factors, we concur with the Directors that the Purchase Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

(iii) *The Engineering Transactions*

Reasons for and benefits of the Engineering Transactions are set out under the sub-section headed “Reasons for and benefits of the transactions” under the section headed “5. ENGINEERING SERVICES MASTER AGREEMENT” of the Board Letter.

As advised by the Directors, a substantial portion of the Group’s engineering services revenue is from contracts with a pre-agreed price which may therefore expose the Group to cost overruns. In performance of the contract, the Group may need to execute extra work when the project owner changes the design for non-technical reasons after the design plan is confirmed. As the Group has been providing engineering services to China Aluminum Group before the Company’s listing on the Stock Exchange in 2009, the Group is able to fully understand the business and operating requirements of China Aluminum Group and is accordingly familiar with China Aluminum Group and therefore the aforesaid costs could be minimized.

In addition, any delay caused by the extra work may affect the progress of the Group’s projects and thus the ability to meet the established milestone dates of the specific contract. The Directors consider that it would costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules. Accordingly, the Directors are of the view that the Engineering Transactions will be beneficial to the Company and the Shareholders as a whole.

In light of the above factors, we concur with the Directors that the Engineering Transactions, being a revenue nature transaction for the Group, are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

**2. Principal terms of the Transactions**

**A. *The Sales Transactions***

*Date*

26 May 2025 (the “Agreement Date”)

*Parties*

- (i) China Aluminum Group (as the purchaser) (for itself and on behalf of its subsidiaries and associates); and
- (ii) The Company (as the supplier) (for itself and on behalf of its subsidiaries)

#### *Major terms*

The Group may provide its commodities to China Aluminum Group and/or its associates from time to time. These commodities primarily include equipment, raw materials and commodities necessary for China Aluminum Group's production operation.

The initial term of the Commodities Sales and Purchases Master Agreement shall come into force upon obtaining the consideration and approval from the general meeting of the Company and shall be effective from 1 January 2026 and expire on 31 December 2028, unless at any time either party gives at least three months' written notice in advance to the other party to terminate the agreement.

#### *Pricing policy*

- (i) In determining the prices of raw materials and equipment, the Company would firstly make reference to the average market price. In the circumstances where a market price is unavailable, the price will be determined by reference to the adoption of the cost-plus principle (i.e. a pricing policy where the company sets the price of products by adding profit margin to the cost). The relevant cost includes raw materials, auxiliary materials, depreciation, labour, kinetics, tools, consumption of skills, repairment of equipment, management fees and finance fees, etc. The profit margin shall satisfy the profit target. Based on the above, the pricing should be in line with the Company's budget and ensure that the Company can achieve its profit targets.
- (ii) With the help of the relevant purchasing experience of business manager in the business department who obtained construction cost estimator qualification (造價師專業資格), market prices in the industry and profit margin levels would be collected through the industry associations and independent suppliers. Construction cost estimator qualification is a certificate granted to personnel who engages in cost management of construction projects with abundant working experience. The Company would collect market information from at least 3 independent third parties to judge whether the commodity prices are fair and reasonable and maintain in line with the market. The Company's business department staff would update the market information regularly with reference to public industry websites, such as Changjiang Non-ferrous Metals Website (<http://www.ccmn.cn>), Shanghai Metals Market (<http://www.smm.cn>) and World Aluminum Website (<http://www.cnal.com>) and check such information every time before conducting each transaction. Should the business department staff of the Company find the Company's current internal reference prices to be outdated upon their regular check of the prices, the business department staff of the Company would submit an adjusted price to the senior management for review and approval.

- (iii) For the products which have no alternatives available in the market, the prices would be determined through arm's length negotiation between both parties of the contract. The Company would make reference to the relevant historical prices of the products, and ensure that the terms of the products provided to China Aluminum Group are fair and reasonable based on the principle of cost plus a fair and reasonable profit margin. The expected profit margins of equipment and raw materials to be provided to China Aluminum Group by the Company shall be in line with the industry standard and not lower than the profit margin obtained by the Company from independent third parties when providing comparable commodities. Due to the diverse range of products offered by the Company to independent third parties, the profit margin obtained by the Company from independent third parties varies, typically ranging approximately from 5.60% to 29.86%.

With reference to the Board Letter, the Company adopted a series of internal management procedures to ensure the continuing connected transactions are fair and reasonable. We understood from the Directors that all the quotations to China Aluminum Group prepared by the business department of the Group are subject to review and pre-approval by multiple departments, including but not limited to finance and business departments of the Group. The staff in business department will compare the profit margins of sales to China Aluminum Group to the level of profit margins in the industry as well as those of sales to other independent third party customers, and obtain final approval from the department head before going through a formal approval process with involvement from other departments. If the price of the orders by China Aluminum Group after price negotiations are below a fair and reasonable profit margin, the Group may choose not to accept the orders placed by China Aluminum Group. In light of the aforesaid requirement of the procedures, we consider that the effective implementation of the procedures would help to ensure the fair pricing under the Sales Transactions.

Upon our request, we obtained a summary list of the historical Sales Transactions for 2023, 2024 and first quarter of 2025. We selected one Sales Transaction for each of the first half and second half of 2023, the first half and second half of 2024 and the first quarter of 2025 (five Sales Transactions selected in total) on a random selection basis from such list and further requested the Company to provide comparable transactions with independent third parties. As the sampling period covered the majority period of the existing commodities sales and purchases master agreement (i.e. 1 January 2023 to 31 December 2025) and samples were selected on a random selection basis, we consider the samples to be fair and representative. According to the documents provided by the Company for the aforesaid selected samples together with corresponding comparable transactions with independent third parties (including the executed contracts, invoices and cost calculation tables), we noted that the profit margins under the selected samples of the existing Sales Transactions were not lower than the profit margins under the corresponding comparable transactions with independent third parties ("Findings from Sales Transactions Sampling").



We also discussed with staffs of Company's relevant departments/subsidiaries (which will be principally involved in the pricing of Sales Transactions) and understood that such departments/subsidiaries are aware of the procedures and will comply with the procedures when conducting transactions contemplated under the Sales Transactions.

Having considered our discussion with relevant departments/subsidiaries of the Company and the Findings from Sales Transactions Sampling, we do not doubt the effectiveness of the aforesaid procedures.

*The proposed annual caps*

Set out below are (i) the historical amounts of the Sales Transactions for the two years ended 31 December 2024 and three months ended 31 March 2025 ("3M2025") with existing annual caps; and (ii) the proposed annual caps of the Sales Transactions for the three years ending 31 December 2028 (the "Sales Cap(s)"):

	For the year ended 31 December 2023 ("FY2023") RMB' million	For the year ended 31 December 2024 ("FY2024") RMB' million	For the year ending 31 December 2025 ("FY2025") RMB' million
Historical amounts	193.21	403.31	75.74 (Note)
Existing annual caps	1,000	1,000	1,000
Utilization rate (%)	19.3	40.3	N/A
	For the year ending 31 December 2026 ("FY2026") RMB' million	For the year ending 31 December 2027 ("FY2027") RMB' million	For the year ending 31 December 2028 ("FY2028") RMB' million
Sales Caps	1,500	1,500	1,500

Note: the figure was for 3M2025.

According to the Board Letter, in determining the caps, the Directors considered certain factors, details of which are set out under the sub-section headed "Historical figures and the proposed annual caps" under the section headed "1. COMMODITIES SALES AND PURCHASES MASTER AGREEMENT — PROVISION OF COMMODITIES BY THE COMPANY TO CHINA ALUMINUM GROUP" of the Board Letter.

As depicted from the table above, we noted that the relevant utilization rates of the existing annual caps were approximately 19.3% and 40.3% for the two years ended 31 December 2024. With reference to the Board Letter, the low utilisation rates for the two years ended 31 December 2024 were mainly because, affected by the market environment for the construction of traditional nonferrous metals, the Company provided less equipment and various customized equipment required for nonferrous metal construction projects to China Aluminum Group, resulting in the actual transaction amount being lower than the cap limit.

In order to assess the fairness and reasonableness of the Sales Caps, we obtained from the Company the calculation of the Sales Caps for the three years ending 31 December 2028 (the “Sales Caps Calculation”).

*Sale Cap for FY2026*

According to the Sales Caps Calculation, we noted that:

- (i) the Sales Cap for FY2026 was the sum of (a) the estimated amount of the base amount of Sales Transactions for FY2026 of approximately RMB775 million (the “2026 Estimated Base Sales Amount”); and (b) the estimated amount of additional demand for the Sales Transactions for FY2026 of approximately RMB725 million (the “Estimated Additional Sales Amount”);
- (ii) the 2026 Estimated Base Sales Amount represents an increase of approximately RMB123 million (the “2026 Base Sales Increase”) as compared to the 2025 estimated sales amount of approximately RMB652 million (the “2025 Estimated Sales Amount”);
- (iii) the 2025 Estimated Sales Amount (a) was estimated by annualizing historical amount of the Sales Transactions for 3M2025 based on the proportion of historical amount of the Sales Transactions for the three months ended 31 March 2024 (i.e. approximately RMB47 million) and FY2024 (i.e. approximately RMB403 million); and (b) represents an average annual increase of approximately RMB229 million (the “2023-25 Average Sales Increase”) as compared to the historical amount of the Sales Transactions for FY2023 (i.e. approximately RMB193 million).

As advised by the Directors, the Company prudently estimated the 2026 Base Sales Increase (i.e. approximately RMB123 million) at approximately half of the 2023-2025 Average Sales Increase (i.e. approximately RMB229 million) while estimating the 2026 Estimated Base Sales Amount, we are of the view that the 2026 Estimated Base Sales Amount to be justifiable.

In respect of the Estimated Additional Sales Amount, the Directors advised us that it is mainly derived from the estimated demand for equipment, raw materials and commodities necessary of China Aluminum Group for a construction project (the “Construction Project”), which the Group is expected to be engaged for providing equipment, raw materials and commodities. The Company also provided us with relevant internal planning documents, tender/bidding documents and bid evaluation documents, which indicate that the estimated amount for the Sales Transactions was approximately RMB725 million for the Construction Project for FY2026. Hence, we are of the view that the Estimated Additional Sales Amount to be justifiable.

In light of the above, we are of the view that the Sales Cap for FY2026 is fair and reasonable.

*Sales Caps for FY2027 and FY2028*

As advised by the Directors, it is possible that the Construction Project may commence in FY2027 or FY2028 instead of FY2026. Under this circumstance, the Estimated Additional Sales Amount may incur in FY2027 or FY2028. According, the Sales Caps for FY2027 and FY2028 were prudently set to be the same for FY2026. Although the utilization rates of the Sales Caps for FY2023 and FY2024 were low, the 2026 Estimated Base Sales Amount was estimated based on the 2025 Estimated Sales Amount and the 2026 Base Sales Increase (both of them were estimated based on historical amount of the Sales Transactions for FY2023, FY2024 and 3M2025).

Having considered the above, we are of the view that the Sales Caps for FY2027 and FY2028 are fair and reasonable.

Shareholders should note that as the Sales Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of revenue to be generated from the Sales Transactions. Consequently, we express no opinion as to how closely the actual revenue to be generated from the Sales Transactions will correspond with the Sales Caps.

Having considered the principal terms of the Sales Transactions as set out above, we are of the view that the terms of the Sales Transactions (including the Sales Caps) are on normal commercial terms and are fair and reasonable.

**B. The Purchase Transactions**

*Date*

26 May 2025

*Parties*

- (i) China Aluminum Group (as supplier) (for itself and on behalf of its subsidiaries and associates); and
- (ii) The Company (as purchaser) (for itself and on behalf of its subsidiaries)

*Major terms*

China Aluminum Group and/or its associates may provide products to the Group from time to time, including non-ferrous products, manufacturing equipment relating to the non-ferrous industry, raw materials, engineering equipment and components.

The initial term of the Commodities Sales and Purchases Master Agreement shall come into force upon obtaining the approval from the general meeting of the Company and shall be effective from 1 January 2026 and expire on 31 December 2028, unless at any time either party gives at least three months' written notice in advance to the other party and as agreed by both parties to terminate the agreement.

*Pricing policy*

- (i) When determining the prices of commodities to be purchased from China Aluminum Group, the Company would primarily make reference to the average market prices. The Company would collect market information from at least 3 independent third parties to judge if the prices of the commodities are fair and reasonable and in line with the market. The Company's business department staff would update the market information regularly with reference to public industry websites, such as Changjiang Non-ferrous Metals Website (<http://www.ccmn.cn>), Shanghai Metals Market (<http://www.smm.cn>) and World Aluminum Website (<http://www.cnal.com>) and check such information every time before conducting each transaction. Should the business department staff of the Company find the Company's current internal reference prices to be outdated upon their regular check of the prices, the business department staff of the Company would submit an adjusted price to the senior management for review and approval.
- (ii) Determination shall be made upon negotiation by both parties based on the assessed value issued by a third appraisal institution. When the Company purchases goods that require valuation, such as large-scale equipment, it usually engages an appraisal agency through a bidding process and adopts the market approach for valuation. The assessed value serves as the basis, and both parties negotiate to determine the final price. For goods like raw materials such as steel, evaluation is generally not required.

- (iii) In the circumstances where a market price is unavailable, the Company would set the price with reference to the adoption of the cost-plus principle, and the relevant costs include costs of raw materials and equipment purchased or produced, labour cost and staff welfare expenses, electricity and other utilities costs, depreciation, cost of machinery maintenance, and sales and administration expenses and so on. Unit cost would be determined based on the above factors. China Aluminum Group shall then charge the Company a pre-agreed fair range profit margin on top of the unit cost. Such pricing shall fall within the Company's budget and is promising to achieve the profit targets of the Company. If the transaction parties have not otherwise negotiated or agreed, the profit margin under the Purchase Transactions is typically 5%.

As confirmed by the Directors, none of the individual transactions contemplated under the Purchase Transactions adopted cost plus pre-agreed profit margin as pricing policy during the period from 1 January 2023 to the Latest Practicable Date. Nevertheless, given the profit margin under the Purchase Transactions of 5% is below the profit margin of the Group's sales of commodities to independent third parties (which is comparable to the Group's sales of commodities to China Aluminum Group pursuant to the Sales Transactions), we consider the profit margin of 5% for the Purchase Transactions to be justifiable.

With reference to the Board Letter, the Company adopted a series of internal management procedures to ensure the actual prices of products supplied and services provided by China Aluminum Group to the Company is fair and reasonable. We understood from the Directors that a proposed price will be provided to Company by China Aluminum Group before determination subject to review by multiple departments of the Company, including financial and capital operation department and other relevant operation departments. If the price offered by China Aluminum Group after price negotiations are above a fair and reasonable profit rate/selling price, the Group may choose not to accept the price offered by China Aluminum Group. In light of the aforesaid requirement of the internal management procedures, we consider that the effective implementation of the aforesaid procedures would help to ensure the fair pricing under the Purchase Transactions.

Upon our request, we obtained a summary list of the historical Purchase Transactions for 2023, 2024 and first quarter of 2025. We selected one Purchase Transaction for each of the first half and second half of 2023, the first half and second half of 2024 and the first quarter of 2025 (five Purchase Transactions selected in total) on a random selection basis from such list and further requested the Company to provide documents including the corresponding executed contracts, invoices, bidding documents, bidding evaluation documents and letters of acceptance. As the sampling period covered the majority period of the existing commodities sales and purchases master

agreement (i.e. 1 January 2023 to 31 December 2025) and samples were selected on a random selection basis, we consider the samples to be fair and representative. According to the aforesaid documents as provided by the Company for the selected samples, we noted that the prices offered to the Group by the China Aluminum Group were not higher than those offered to the Group by the independent third parties (“Findings from Purchase Transactions Sampling”).

We discussed with staffs of Company’s relevant departments/subsidiaries (which will be principally involved in the pricing/budgeting of Purchase Transactions) and understood that such departments/subsidiaries are aware of the procedures and will comply with the procedures when conducting transactions contemplated under the Purchase Transactions.

Having considered our discussion with relevant departments/subsidiaries of the Company and the Findings from Purchase Transactions Sampling, we do not doubt the effectiveness of the aforesaid procedures.

*The proposed annual caps*

Set out below are (i) the historical amounts of the Purchase Transactions for the two years ended 31 December 2024 and 3M2025 with existing annual caps; and (ii) the proposed annual caps of the Purchase Transactions for the three years ending 31 December 2028 (the “Purchase Cap(s)”):

	For the year ended 31 December 2023 RMB' million	For the year ended 31 December 2024 RMB' million	For the year ending 31 December 2025 RMB' million
Historical amounts	31.32	160.46	49.06 (Note)
Existing annual caps	2,000	2,000	2,000
Utilization rate (%)	1.6	8.0	N/A

  

	For the year ending 31 December 2026 RMB' million	For the year ending 31 December 2027 RMB' million	For the year ending 31 December 2028 RMB' million
Purchase Caps	2,000	2,000	2,000

*Note:* the figure was for 3M2025.

According to the Board Letter, in determining the Purchase Caps, the Directors considered certain factors, details of which are set out under the sub-section headed “Historical figures and the proposed annual caps” under the section headed “2. COMMODITIES SALES AND PURCHASES MASTER AGREEMENT — PROVISION OF COMMODITIES TO THE COMPANY BY CHINA ALUMINUM GROUP” of the Board Letter.

As depicted from the table above, we note that the utilization rates of the existing annual caps were approximately 1.6% and 8.0% for the two years ended 31 December 2024 respectively. With reference to the Board Letter, the low utilisation rates for the two years ended 31 December 2024 were mainly due to the reduction in the Company’s municipal and civil construction projects and a corresponding decrease in the Company’s purchases of cement, engineering equipment and other commodities from China Aluminum Group, resulting in a decrease in transaction amount.

In order to assess the fairness and reasonableness of the Purchase Caps, we obtained from the Company the calculation of the Purchase Caps for the three years ending 31 December 2028 (the “Purchase Caps Calculation”).

#### *Purchase Cap for FY2026*

According to the Purchase Caps Calculation, we noted that the Purchase Cap for FY2026 was calculated by incorporating a buffer of 10% (the “buffer”) on the estimated amount of the Purchase Transactions for FY2026 of approximately RMB1,820 million (the “2026 Estimated Purchase Amount”).

As advised by the Directors, the 2026 Estimated Purchase Amount was primarily estimated with the consideration of the centralized procurement plan issued by the China Aluminum Group in January 2025 (the “**Centralized Procurement Plan**”). Upon our request, the Company provided us with the executed copy of the Centralized Procurement Plan. According to the Centralized Procurement Plan and as further confirmed by the Directors, materials (including steel, cables, etc.) (the “**Materials**”) needed for the Company’s construction projects are required be procured centrally within the China Aluminum Group in the future, replacing the previous approach of sourcing from either independent third parties or the China Aluminum Group. Therefore, the Group’s total procurement amount of the Materials will be included in the Purchase Caps. As further advised by the Directors, under the Centralized Procurement Plan, given the substantial volume of the centralized procurement within the China Aluminum Group (which enhanced buyer’s bargaining power), the prices obtained by the China Aluminum Group, and consequently offered to the Company, are expected to be lower than those to be obtained by the Company itself from independent third parties. As aforementioned, if the price offered by China Aluminum Group after price negotiations are above a fair and reasonable profit rate/selling price, the Group may choose not to accept the price offered by China Aluminum Group.

The Company also provided us with a summary table, which records the historical procurement amount of the Materials (including those procured from both independent third parties and the China Aluminum Group) in 2023 (i.e. approximately RMB1,833 million) and 2024 (i.e. approximately RMB1,822 million).

Having considered that (i) the historical procurement amount of the Materials in 2023 was similar to that in 2024 indicating the Group's stable demand and procurement amount for the Materials; (ii) the 2026 Estimated Purchase Amount remained the same level as the historical procurement amounts of the Materials in 2023 and 2024; and (iii) although the utilization rate of the Purchase Transactions for FY2023 and FY2024 was low, the change of procurement method of the Group led by the Centralized Procurement Plan and the benefit arising therefrom (i.e. lower purchase price due to enhanced bargaining power) may lead to increase in possible procurement amount from China Aluminum Group as compared to the historical transaction amounts, we consider the 2026 Estimated Purchase Amount to be justifiable.

#### *Buffer*

We noted from other Hong Kong listed companies' circular regarding continuing connected transactions published during the period from 1 May 2025 to 26 May 2025 (being the Agreement Date) that there were 8 out of 21 circulars published during the said period contained continuing connected transactions which incorporated buffers in determining their annual caps, indicating that the incorporation of buffer in determining proposed annual caps is not uncommon among Hong Kong listed companies.

We further understood from the Directors that major products the Group purchased under the Purchase Transactions or the raw materials of the aforesaid products are steel related products. For our due diligence purposes, we examined the steel composite price index (which reflects the composite price of steel products) for last 12 months prior to the date of Agreements. Based on information obtained from Wind Financial Terminal, we noted that the difference between the maximum and minimum index was approximately 18% during aforesaid period.

Given (i) that the incorporation of buffer in determining proposed annual caps is not uncommon among Hong Kong listed companies and ranged from 3% to 25% (or 3% to 10% excluding the outlier of 25%) based on our above research; and (ii) the difference between the maximum and minimum steel composite price index (18%) during last 12 months prior to the date of Agreements, we consider the Buffer of 10% to be justifiable.

In light of the above, we are of the view that the Purchase Cap for FY2026 is fair and reasonable.



*Purchase Caps for FY2027 and FY2028*

As advised by the Directors, given the Group's demand and procurement amount for the Materials was stable as aforementioned, the Purchase Caps for FY2027 and FY2028 were prudently set to be the same for FY2026.

Having considered the above and that the possible change of procurement method of the Group led by the Centralized Procurement Plan and the possible benefit arising therefrom (i.e. lower purchase price due to enhanced bargaining power) may lead to increase in possible procurement amount from China Aluminum Group as compared to the historical transaction amounts, we are of the view that the Purchase Caps for FY2027 and FY2028 are fair and reasonable.

Shareholders should note that as the Purchase Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of costs to be incurred from the Purchase Transactions. Consequently, we express no opinion as to how closely the actual costs to be incurred from the Purchase Transactions will correspond with the Purchase Caps.

Having considered the principal terms of the Purchase Transactions as set out above, we are of the view that the terms of the Purchase Transactions (including the Purchase Caps) are on normal commercial terms and are fair and reasonable.

**C. The Engineering Transactions**

*Date*

26 May 2025

*Parties*

- (i) China Aluminum Group (as service recipient) (for itself and on behalf of its subsidiaries and associates); and
- (ii) The Company (as service provider) (for itself and on behalf of its subsidiaries)

*Major terms*

The Group may from time to time provide engineering services to China Aluminum Group and/or its associates, including but not limited to construction engineering, technology (right of use) transfer, project supervision, survey, engineering design, engineering consultancy, engineering management, EPC general contracting and other engineering-related services.

The initial term of the Engineering Services Master Agreement shall come into force upon approval by the general meeting of the Company and shall be effective from 1 January 2026 and expire on 31 December 2028, unless at any time either party gives at least three months' prior written notice to the other party and as agreed by both parties to terminate the agreement.

*Pricing policy*

The prices for the engineering services provided by the Company shall be determined (1) through the tender by China Aluminum Group; or (2) by arm's length negotiation between the parties. For determining the prices of survey and design projects, the Company would implement market-adjusted prices, which means price of goods or services determined by market supply and demand, without direct government intervention, under free negotiation between parties based on market conditions in accordance with the requirements of the Notice on Further Liberalization of the Prices of Professional Services for Construction Projects (Fa Gai Jia Ge [2015] No. 299) (《關於進一步放開建設項目專業服務價格的通知》) (發改價格[2015] 299號) issued by the National Development and Reform Commission, and refer to the average market profit margins when setting the prices.

For determining the prices of engineering and construction contracting projects, the Company would estimate prices on the basis of the project size and the exact work to be done, which is also the basis that the Company makes reference to when participating in the bidding or negotiation process. Meanwhile, the Company would also calculate the base prices of engineering and construction contracting projects in accordance with applicable market rules and prices and decide the final consideration of contract on arm's length basis with China Aluminum Group.

We understood from the Directors that before participating tender procedures for the construction services by members of the Group (which are principally engaged in construction business), the relevant member(s) will determine the cost/budget of the proposed project based on, among other things, the scale, complexity of the projects, scope of work, etc. The bidder price will not be less than the estimated cost/budget. In light of the aforesaid requirement of the internal management procedures, we consider that the effective implementation of the aforesaid procedures would help to ensure the fair pricing under the Engineering Transactions.

Upon our request, we obtained a summary list of the historical Engineering Transactions for 2023, 2024 and first quarter of 2025. We selected one Engineering Transaction for each of the first half and second half of 2023, the first half and second half of 2024 and the first quarter of 2025 (five Engineering Transactions selected in total) on a random selection basis from such list and further requested the Company to provide documents including the corresponding executed contracts, invoices, bidding documents, bidding evaluation documents, letters of acceptance, profit and cost budget sheet with

internal approval documents. As the sampling period covered the majority period of the existing engineering services master agreement (i.e. 1 January 2023 to 31 December 2025) and samples were selected on a random selection basis, we consider the samples to be fair and representative. According to the aforesaid documents as provided by the Company for the selected samples, we noted that the prices offered by the Group to the China Aluminum Group (i) were determined through the tender by China Aluminum Group with the Group's estimation on prices on the basis of the project size and the exact work to be done; and (ii) were not lower than the estimated cost/budget ("Findings from Engineering Transactions Sampling").

We also discussed with staffs of Company's relevant departments/subsidiaries (which will be principally involved in the pricing/budgeting of Engineering Transactions) and understood that such departments/subsidiaries were aware of the procedures and would comply with the procedures when conducting transactions contemplated under the Engineering Transactions.

Having considered our discussion with relevant departments/subsidiaries of the Company and the Findings from Engineering Transactions Sampling, we do not doubt the effectiveness of the aforesaid procedures.

*The proposed annual caps*

Set out below are (i) the historical amounts of the Engineering Transactions for the two years ended 31 December 2024 and 3M2025 with existing annual caps; and (ii) the proposed annual caps of the Engineering Transactions for the three years ending 31 December 2028 (the "Engineering Cap(s)"):

	For the year ended 31 December 2023 RMB' million	For the year ended 31 December 2024 RMB' million	For the year ended 31 December 2025 RMB' million
Historical amounts	2,511.97	6,620.59	977.79 (Note)
Existing annual caps	6,000	9,000	11,000
Utilization rate (%)	41.9%	73.6%	N/A
	For the year ending 31 December 2026 RMB' million	For the year ending 31 December 2027 RMB' million	For the year ending 31 December 2028 RMB' million
Engineering Caps	12,000	13,000	14,000

*Note:* the figure was for 3M2025.

According to the Board Letter, in determining the Engineering Caps, the Directors considered certain factors, details of which are set out under the sub-section headed “Historical figures and the proposed annual cap” under the section headed “5. ENGINEERING SERVICES MASTER AGREEMENT” of the Board Letter.

As depicted from the table above, we note that the utilization rate of the existing annual caps were approximately 41.9% and 73.6% for the two years ended 31 December 2024 respectively. With reference to the Board Letter, the low utilisation rates for the two years ended 31 December 2024 were mainly due to the reduction in the Company’s new construction projects during the aforementioned period affected by the impact of the traditional nonferrous industry construction market environment.

In order to assess the fairness and reasonableness of the Engineering Caps, we obtained from the Company the calculation of the Engineering Caps for the three years ending 31 December 2028 (the “Engineering Caps Calculation”).

#### *Engineering Cap for FY2026*

According to the Engineering Caps Calculation, we noted that the Engineering Cap for FY2026 was made reference to the sum of (i) the estimated amount of the Engineering Transactions for the existing engineering contracts entered into between the Company and China Aluminum Group as at 31 December 2024 (the “Existing Contracts”) for FY2026 of approximately RMB4,812 million (the “2026 Estimated Engineering Amount for Existing Contracts”); and (ii) the estimated amount of the Engineering Transactions for the expected investment projects of China Aluminum Group (the “Expected Investment Projects”) for FY2026 of approximately RMB6,780 million (the “2026 Estimated Engineering Amount for Investment Projects”), i.e. RMB11,592 million in aggregate.

As advised by the Directors, the Existing Contracts were expected to be completed in 2026 and around 50% of the outstanding amount under the Existing Contracts were expected to be settled in each of 2025 and 2026. Upon our enquiry, the Company provided us with a summary table (the “Summary Table”) that records all the Existing Contracts (including corresponding contract amount and outstanding amount) as at 31 December 2024. For our due diligence purpose, we randomly selected ten Existing Contracts from the Summary Table and the Company provided us with the executed contracts of the selected Existing Contracts (accounting for approximately 47% of total outstanding amount under the Existing Contracts as at 31 December 2024) together with invoices and internal revenue recognition records for transaction amount incurred. After reviewing the aforesaid documents, we were satisfied with the outstanding amount of the said ten Existing Contracts and we do not doubt the Summary Table.

According to the Summary Table, we noted that the 2026 Estimated Engineering Amount for Existing Contracts equals to approximately 50% of

the outstanding amount of the Existing Contracts. Having considered the above, we consider the 2026 Estimated Engineering Amount for Existing Contracts to be justifiable.

Upon our inquiry, the Company further provided us with a summary table, which includes the Expected Investment Projects for the three years ending 31 December 2028 (including contract amount and estimated amount of the Engineering Transactions for each Expected Investment Project of China Aluminum Group for each year). According to such table, we noted that 2026 Estimated Engineering Amount for Investment Projects equals to the sum of the estimated amount of the Engineering Transactions for the Expected Investment Projects for FY2026. In addition, the Company also provided us with relevant internal documents (including the projects status report and internal feasibility studies) for the Expected Investment Projects. We cross-checked and were satisfied with the figures as contained in the summary table and figures as contained in the aforesaid relevant internal documents. Having considered the above, we consider the 2026 Estimated Engineering Amount for Investment Projects to be justifiable.

In light of the above, we are of the view that the Engineering Cap for FY2026, being close to the estimated amounts of the Engineering Transactions of RMB11,592 million, is fair and reasonable.

#### *Engineering Caps for FY2027 and FY2028*

As illustrated in the above table, the Engineering Cap increases by (i) RMB1,000 million from FY2026 to FY2027; and (ii) RMB1,000 million from FY2027 to FY2028 (together with (i) and (ii), the “**Engineering Caps Increase**”). According to the Engineering Caps Calculation, we noted that such increases were mainly for catering further possible growth of the Engineering Transactions for FY2027 and FY2028 taking into account the increase in the amount of newly signed individual contracts regarding the Engineering Transactions entered into between the Group and China Aluminum Group (the “**Newly Signed Engineering Contracts**”) in 2024 as compared to that in 2023.

As advised by the Directors, given the duration of the contracts regarding the Engineering Transactions were normally two to three years, the increase in the amount of newly signed contracts regarding the Engineering Transactions will lead to corresponding increases in Engineering Transactions during the contract terms. Upon our request, the Company provided us with a summary list of the Newly Signed Engineering Contracts (including the contract amount) in 2023 and 2024 (the “**Newly Signed Engineering Contracts Summary List**”), which shows that the total contract amounts of the Newly Signed Engineering Contracts in 2024 represents an increase of approximately RMB1,544 million as compared to that in 2023 (the “**Newly Signed Engineering Contracts Increase**”). For our due diligence purpose, we randomly selected ten Newly Signed Engineering Contracts from the Newly

Signed Engineering Contracts Summary List for each of 2023 and 2024 (twenty Newly Signed Engineering Contracts selected in total), and the Company provided us with the executed contracts of the selected ten Newly Signed Engineering Contracts (accounting for approximately 30% and 24% of total contract amount of the Newly Signed Engineering Contracts in 2023 and 2024, respectively) for each of 2023 and 2024. After reviewing the aforesaid documents, we noted that (i) the duration of the selected Newly Signed Engineering Contracts for both of 2023 and 2024 were two to three years; (ii) the contract amounts as stated in the executed contracts of the selected Newly Signed Engineering Contracts for both of 2023 and 2024 are consistent with those in the Newly Signed Engineering Contracts Summary List; and (iii) the execution year of each of the selected Newly Signed Engineering Contracts for both of 2023 and 2024 matches the corresponding contract year as specified in the Newly Signed Engineering Contracts Summary List. Having considered the above, we do not doubt the Newly Signed Engineering Contracts Summary List.

As advised by the Directors, given the low utilization rates of the existing annual caps for the two years ended 31 December 2024 as aforementioned and the Expected Investments Projects remained in the early planning stage with uncertainties, the Company set the Engineering Caps Increase lower than the Newly Signed Engineering Contracts Increase for prudent purpose.

Having considered the above, we are of the view that the Engineering Caps for FY2027 and FY2028 are fair and reasonable.

Shareholders should note that as the Engineering Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of revenue to be generated from the Engineering Transactions. Consequently, we express no opinion as to how closely the actual revenue to be generated from the Engineering Transactions will correspond with the Engineering Caps.

Having considered the principal terms of the Engineering Transactions as set out above, we are of the view that the terms of the Engineering Transactions (including the Engineering Caps) are on normal commercial terms and are fair and reasonable.

### **3. Listing Rules implication regarding the Transactions**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by their respective proposed annual cap for the period concerned under the Agreements; (ii) the terms of the Transactions (including their respective proposed annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the proposed annual caps.

In the event that the total amounts of each of the Transactions are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Agreements, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

#### RECOMMENDATION ON THE TRANSACTIONS

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the AGM to approve the Transactions 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 around 30 years of experience in investment banking industry.*