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

If you have sold all your shares in Aluminum Corporation of China Limited*, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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中国铝业股份有限公司
ALUMINUM CORPORATION OF CHINA LIMITED*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2600)

SUPPLEMENTAL CIRCULAR
2025 SECOND EXTRAORDINARY GENERAL MEETING
DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ABSORPTION AND MERGER OF
INNER MONGOLIA HUAYUN BY BAOTOU ALUMINUM

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



建泉融資有限公司
VBG Capital Limited

This supplemental circular should be read together with the circular and notice of the EGM dated 7 March 2025.

A letter from the Board containing information on, among other things, the discloseable transaction and connected transaction in relation to the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum is set out on pages 1 to 17 of this supplemental circular.

A letter from the Independent Board Committee, containing its recommendation to the Independent Shareholders in respect of the discloseable transaction and connected transaction in relation to the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum is set out on pages 18 to 19 of this supplemental circular.

A letter from VBG Capital, containing its independent advice to the Independent Board Committee and the Independent Shareholders in respect of the discloseable transaction and connected transaction in relation to the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum is set out on pages 20 to 41 of this supplemental circular.

7 April 2025

* For identification purposes only

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DEFINITIONS

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

“A Share(s)”	the ordinary shares denominated in RMB issued by the Company which are subscribed for in RMB and listed on the Shanghai Stock Exchange;
“A Shareholder(s)”	holder(s) of A Shares;
“Absorption and Merger”	the absorption and merger of Inner Mongolia Huayun by Baotou Aluminum pursuant to the terms and conditions of the Absorption and Merger Agreement;
“Absorption and Merger Agreement”	the absorption and merger agreement entered into between Baotou Aluminum and Inner Mongolia Huayun on 28 February 2025, pursuant to which, Baotou Aluminum will conduct absorption and merger of Inner Mongolia Huayun;
“Baotou Aluminum”	Baotou Aluminum Co., Ltd.* (包頭鋁業有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date;
“Baotou Aluminum Asset Valuation Report”	the asset valuation report numbered as Guo Zhong Lian Ping Bao Zi (2025) No. 3-0011 issued by GZL on 28 February 2025;
“Board”	the board of Directors of the Company;
“Chinalco”	Aluminum Corporation of China* (中國鋁業集團有限公司), a wholly state-owned enterprise incorporated in the PRC and the controlling Shareholder of the Company holding directly and indirectly approximately 32.43% of the total issued share capital of the Company as at the Latest Practicable Date;
“Company”	Aluminum Corporation of China Limited* (中國鋁業股份有限公司), a joint stock limited company incorporated in the PRC, the A Shares and H Shares of which are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively;
“Director(s)”	the director(s) of the Company;

DEFINITIONS

“Effective Date”	the date on which the Absorption and Merger Agreement becomes effective;
“EGM”	the 2025 second extraordinary general meeting to be held at the Company’s conference room, No. 62 North Xizhimen Street, Haidian District, Beijing, the PRC at 2:00 p.m. on Thursday, 24 April 2025;
“GZL”	Guozhonglian Asset Appraisal Land and Real Estate Appraisal Co., Ltd.* (國眾聯資產評估土地房地產估價有限公司), a qualified Chinese appraisal company;
“H Share(s)”	the overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and subscribed for in Hong Kong dollars;
“H Shareholder(s)”	holder(s) of H Shares;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	the independent board committee comprising independent non-executive Directors formed by the Company to advise the Independent Shareholders in respect of the transaction contemplated under the Absorption and Merger Agreement;
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Absorption and Merger Agreement;

DEFINITIONS

“Independent Shareholder(s)”	the shareholder(s) (other than Chinalco and its associates) of the Company who are not required to abstain from voting on the resolution to be proposed at the EGM to approve the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum;
“Inner Mongolia Huayun”	Inner Mongolia Huayun New Materials Co., Ltd.* (內蒙古華雲新材料有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of the Company as at the Latest Practicable Date;
“Inner Mongolia Huayun Asset Valuation Report”	the asset valuation report numbered as Guo Zhong Lian Ping Bao Zi (2025) No. 3-0010 issued by GZL on 28 February 2025;
“Latest Practicable Date”	31 March 2025, being the latest practicable date of ascertaining certain information contained in this supplemental circular prior to its publication;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	A Share(s) and H Share(s);
“Shareholder(s)”	A Shareholder(s) and H Shareholder(s);
“subsidiary(ies)”	has the same meaning ascribed thereto under the Hong Kong Listing Rules;
“Supervisor(s)”	the supervisor(s) of the Company;
“Valuation Benchmark Date”	31 December 2024;
“Valuation Reports(s)”	Baotou Aluminum Asset Valuation Report and Inner Mongolia Huayun Asset Valuation Report, or either one of them; and
“%”	per cent.

LETTER FROM THE BOARD



中国铝业股份有限公司

ALUMINUM CORPORATION OF CHINA LIMITED*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2600)

Executive Directors:

Mr. He Wenjian (*Acting as the Chairman*)
Mr. Mao Shiqing
Mr. Jiang Tao

Non-executive Directors:

Mr. Li Xiehua
Mr. Chen Pengjun

Independent Non-executive Directors:

Mr. Qiu Guanzhou
Mr. Yu Jinsong
Ms. Chan Yuen Sau Kelly

Registered office:

No. 62 North Xizhimen Street
Haidian District, Beijing
The People's Republic of China
Postal code: 100082

Principal place of business:

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The People's Republic of China
Postal code: 100082

Principal place of business in Hong Kong:

Room 4501, Far East Finance Centre
No. 16 Harcourt Road
Admiralty
Hong Kong

7 April 2025

To the Shareholders

Dear Sirs or Madams,

SUPPLEMENTAL CIRCULAR

2025 SECOND EXTRAORDINARY GENERAL MEETING DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ABSORPTION AND MERGER OF INNER MONGOLIA HUAYUN BY BAOTOU ALUMINUM

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the circular dated 7 March 2025 of the Company, in relation to, among others, the resolution to be proposed at the EGM for consideration and approval.

The purpose of this supplemental circular is to (among others) provide you with all reasonably necessary information in relation to the discloseable transaction and connected transaction in relation to the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum so as to enable you to make informed decision on whether to vote for or against the relevant resolution to be proposed at the EGM.

II. PROPOSED ABSORPTION AND MERGER OF INNER MONGOLIA HUAYUN BY BAOTOU ALUMINUM

(I) INTRODUCTION

Reference is made to the announcement of the Company dated 28 February 2025 in relation to the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum. On 28 February 2025, Baotou Aluminum and Inner Mongolia Huayun entered into the Absorption and Merger Agreement, pursuant to which, Baotou Aluminum will conduct absorption and merger of Inner Mongolia Huayun. Upon the completion of the Absorption and Merger, Baotou Aluminum will continue to subsist and Inner Mongolia Huayun will be cancelled according to law, and Baotou Aluminum will be held as to 65.5759% and 34.4241% by the Company and Chinalco, respectively.

(II) ABSORPTION AND MERGER AGREEMENT

(1). Date

28 February 2025

(2). Parties

- (i) Baotou Aluminum; and
- (ii) Inner Mongolia Huayun.

LETTER FROM THE BOARD

(3). Absorption and Merger

The Absorption and Merger will be conducted by Baotou Aluminum by way of absorbing and merging Inner Mongolia Huayun. As the surviving company after the merger, Baotou Aluminum will undertake all the assets, debts and liabilities, businesses and personnel of Inner Mongolia Huayun and the legal entity qualification of Inner Mongolia Huayun will be cancelled.

As at the Latest Practicable Date and immediately prior to the completion of the Absorption and Merger, Baotou Aluminum is a wholly-owned subsidiary of the Company and Inner Mongolia Huayun is a non-wholly owned subsidiary of the Company, which is owned as to 50% by Baotou Aluminum and 50% by Chinalco, respectively.

According to the Valuation Report prepared by GZL under the income approach with 31 December 2024 as the Valuation Benchmark Date, the appraised value of the entire shareholders' equity of Baotou Aluminum was RMB22,370.5002 million. According to the Valuation Report prepared by GZL under the income approach with 31 December 2024 as the Valuation Benchmark Date, the appraised value of the entire shareholders' equity of Inner Mongolia Huayun was RMB23,486.7595 million.

The shareholding structure of Baotou Aluminum after the Absorption and Merger was discounted based on the shareholding structure of Baotou Aluminum and Inner Mongolia Huayun prior to the Absorption and Merger, and the appraised value of the entire shareholders' equity of Baotou Aluminum and Inner Mongolia Huayun, the specific calculation methods are as follows:

- 1) Shareholding ratio of Baotou Aluminum held by Chinalco after the Absorption and Merger = appraised value of the entire shareholders' equity of Inner Mongolia Huayun* shareholding ratio held by Chinalco/(appraised value of the entire shareholders' equity of Baotou Aluminum + appraised value of the entire shareholders' equity of Inner Mongolia Huayun* shareholding ratio held by Chinalco);
- 2) Shareholding ratio of Baotou Aluminum held by the Company after the Absorption and Merger = appraised value of the entire shareholders' equity of Baotou Aluminum/(appraised value of the entire shareholders' equity of Baotou Aluminum + appraised value of the entire shareholders' equity of Inner Mongolia Huayun* shareholding ratio held by Chinalco).

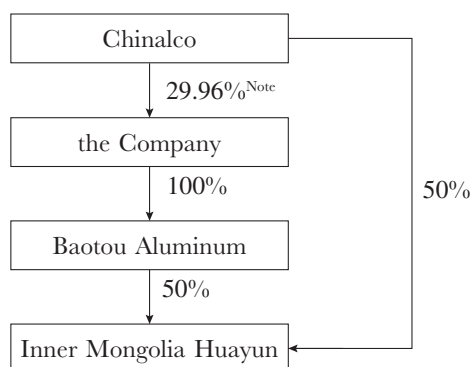
LETTER FROM THE BOARD

Immediately after the completion of the Absorption and Merger, Baotou Aluminum will continue to subsist and Inner Mongolia Huayun will be cancelled according to law, and Baotou Aluminum will be held as to 65.5759% and 34.4241% by the Company and Chinalco, respectively.

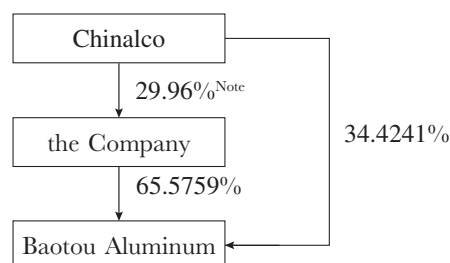
Set out below is the shareholding structure (i) as at the Latest Practicable Date and immediately prior to the completion of the Absorption and Merger; and (ii) immediately after the completion of the Absorption and Merger.

Shareholding structure as at the Latest

Practicable Date and immediately prior to the completion of the Absorption and Merger



Shareholding structure immediately after the completion of the Absorption and Merger



Note: As at the Latest Practicable Date, Chinalco directly holds approximately 29.96% of the total issued share capital of the Company and, through its subsidiaries, holds in aggregate approximately 32.43% of the total issued share capital of the Company.

(4). Effectiveness of the Agreement

The Absorption and Merger Agreement was established on the date when it was entered into between Baotou Aluminum and Inner Mongolia Huayun and shall take effect on the date on which all of the following conditions are fulfilled:

- 1) the valuation results of entire shareholders' equity of Baotou Aluminum and Inner Mongolia Huayun have been filed in accordance with the requirements of the State-owned Assets Supervision and Administration;
- 2) the Absorption and Merger has been approved by the shareholder of Baotou Aluminum (including the Absorption and Merger has been approved by the Independent Shareholder of the Company); and

LETTER FROM THE BOARD

- 3) the Absorption and Merger has been approved by the shareholders' meeting of Inner Mongolia Huayun.

As at the Latest Practicable Date, condition 1) above has been satisfied.

(5). *Employee Resettlement Programme*

For the Absorption and Merger, the labour contracts of all employees of Baotou Aluminum will remain unchanged; the labour relationship of all employees of Inner Mongolia Huayun will be taken over by Baotou Aluminum, with the seniority calculated on a continuous basis, and their wages and other labour conditions will remain unchanged.

(6). *Succession Arrangements for Debts and Liabilities*

With effect from the Effective Date, all assets, debts and liabilities, businesses, qualifications, contracts and all other rights and obligations of Baotou Aluminum will continue to be held and performed; and all assets, debts and liabilities, businesses, qualifications, contracts and all other rights and obligations of Inner Mongolia Huayun will be inherited and performed by Baotou Aluminum, which will bear the consequences of the operation.

The notification obligations to creditors and debtors in relation to the Absorption and Merger will be implemented in accordance with Article 220 of the Company Law of the People's Republic of China. After the announcement of the matters relating to the Absorption and Merger, Inner Mongolia Huayun shall notify its important customers, agents and suppliers in an appropriate manner of the matters relating to the transfer of the business involved in the Absorption and Merger Agreement, so as to ensure Baotou Aluminum's smooth undertaking of the transferred business.

Within 30 days after the Effective Date, Inner Mongolia Huayun shall hand over all the assets and all the relevant documents, including but not limited to property rights certificates, all kinds of accounts, books of accounts, equipment and technical information, etc., to Baotou Aluminum in a complete manner. At the same time, Inner Mongolia Huayun shall hand over any and all documents that have a significant impact on its subsequent operation, including but not limited to documents of the shareholders' meeting, the board of directors and the supervisory committee of Inner Mongolia Huayun since its incorporation, all the organisational and business registration documents, all governmental approvals obtained, correspondence with governmental departments (including but not limited to notices, decisions and resolutions), tax payment documents, etc., to Baotou Aluminum.

LETTER FROM THE BOARD

On the Effective Date, Inner Mongolia Huayun shall hand over all the information of the bank accounts that have been opened, the reserved seals and all seals of Inner Mongolia Huayun to Baotou Aluminum.

(7). *Arrangement for Transitional Period*

The period between the Valuation Benchmark Date and Effective Date is the transitional period. During the transitional period, the profits and losses of both Baotou Aluminum and Inner Mongolia Huayun shall be borne or enjoyed by their respective original shareholders.

(8). *Completion*

Within 30 days after the Effective Date, Baotou Aluminum and Inner Mongolia Huayun shall process the formalities for the transfer of assets in relation to the Absorption and Merger, including but not limited to filing, registration or transfer procedures for the transfer of assets. The date on which Baotou Aluminum completes corresponding procedures for changes of registration in relation to the Absorption and Merger and Inner Mongolia Huayun completes deregistration procedures shall be the completion date of the Absorption and Merger.

(III) FURTHER INFORMATION ON THE VALUATION

(1). *Selection of Valuation Approach*

According to the Valuation Reports prepared by GZL with 31 December 2024 as the Valuation Benchmark Date, two valuation approaches, namely the asset-based approach and the income approach, were adopted in the Valuation Reports. The value of the entire shareholders' equity of Baotou Aluminum using the asset-based approach was RMB21,344.8313 million, and the value of the entire shareholders' equity of Baotou Aluminum using the income approach was RMB22,370.5002 million; the value of the entire shareholders' equity of Inner Mongolia Huayun using the asset-based approach was RMB9,778.6700 million, and the value of the entire shareholders' equity of Inner Mongolia Huayun using the income approach was RMB23,486.7595 million. The conclusion of the valuation is based on the income approach.

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Reasons for adopting the income approach as the conclusion of the valuation

The asset-based approach indirectly assesses the fair market value of assets from the perspective of asset replacement, and the application of asset-based approach in overall asset evaluation cannot reasonably reflect the comprehensive profitability of each asset and the actual operating status of the enterprise; and the income approach assesses the value of an asset from the perspective of its expected profitability, which conforms to the concept of value under market economy conditions. Theoretically, the valuation conclusion of the income approach can better reflect the value of entire shareholders' equity. Meanwhile, for an electrolytic aluminum production enterprise in normal operation, the future revenue, costs and operating risks can be reasonably predicted after entering a period of stable operation. Baotou Aluminum and Inner Mongolia Huayun are currently in a stable operational stage. The value of their shareholders' equity should not only include the value of tangible assets such as fixed assets and working capital but also encompass the contributions of important intangible assets such as management experience, business networks and service capabilities. Additionally, it should include the synergistic effects generated by factors such as the enterprise's industry competitiveness, the company's management level, marketing channels and customer base. The conclusion by using the income approach can better reflect the actual value of the enterprise.

Considering from the perspective of the valuation purpose, the Absorption and Merger places more emphasis on the future profitability of the assets. The valuation by asset-based approach is based on the balance sheet of the enterprise, which reflects the market value of the assets owned by the enterprise on the benchmark date, but cannot reflect the profitability of the assets. Therefore, the income approach is more able to objectively and fairly reflect the actual value of Baotou Aluminum and Inner Mongolia Huayun at the time of valuation, and therefore the valuation conclusion of the income approach has been adopted as the final valuation conclusion in the Valuation Reports.

For a summary of the Valuation Reports (including key parameter values, etc.), please refer to "APPENDIX I – SUMMARY OF VALUATION" to this supplemental circular.

LETTER FROM THE BOARD

(2). Profit Forecast under the Valuation Reports

Given that the income approach is adopted by GZL for preparing the Valuation Reports mentioned above in respect of the valuation of the entire shareholders' equity of Baotou Aluminum and Inner Mongolia Huayun, such valuation constitutes a profit forecast under Rule 14.61 of the Hong Kong Listing Rules. Accordingly, the Company discloses the following details of the valuation in compliance with Rule 14.60A of the Hong Kong Listing Rules.

Based on the Valuation Reports prepared by GZL, details of the principal assumptions, including commercial assumptions on which the profit forecast of the value of the entire shareholders' equity of Baotou Aluminum and Inner Mongolia Huayun is based, are set out below:

Basic Assumptions

- Open market assumption: A hypothetical description or qualification of the conditions of the market where the assets are intended to be entered and the impact on the assets in such market conditions. The open market refers to well-developed and comprehensive market conditions and a competitive market with voluntary buyers and sellers where each of the buyer and the seller is offered with equal status, enough opportunity and time to have access to sufficient market information, and where the transactions between both the buyer and the seller are all conducted under voluntary, rational, non-compulsory and unrestricted conditions;
- Continuous use assumption: Firstly, it is assumed that the appraised assets are in use (including assets in use and reserved assets); secondly, based on relevant information and data, it is assumed that the assets in use will continue to be used. The continuous use assumption explains what market conditions or market environment for the appraised asset while emphasizing on the survival status of assets. Specifically, it includes continuing to be used as existing usage; continuing to be used with a change of usage; continuing to be used at a different location or space. Continuing to be used as existing usage refers to the case when the appraised assets in use will continue to be used in accordance with the existing usage and form after the ownership is changed or asset business occurs. Continuing to be used with a change of usage refers to the case when the appraised asset will continue to be used with a change of usage where the existing usage is replaced by a new usage after the ownership is changed

LETTER FROM THE BOARD

or asset business occurs. Continuing to be used at a different location or space refers to the case when the appraised asset will continue to be used with a change of location or space and continue to be used at another location or space after the ownership is changed or asset business occurs. It is assumed that the appraised assets continue to be used as existing usage for this valuation;

- **Going-concern assumption:** The appraised entity is assumed to legally continue as a going concern based on its existing assets and resource conditions in the foreseeable future, and its operation will not suspend due to various reasons;
- **Transactional assumption:** The transactional assumption assumes that all assets to be appraised are in the trading process, and the valuer conducts valuation based on a simulated market including trading conditions of the assets to be appraised. The transactional assumption is the most fundamental prerequisite of the appraisal of assets.

General Assumptions and Confining Conditions

- There will not be significant changes in the accounting policies and auditing methods of the appraised entity after the benchmark date;
- There are no significant changes in the political, economic, social and other macro environment of the appraised entity and the region where it operates which would affect its operation after the Valuation Benchmark Date;
- Except for those laws and regulations already enacted or enacted but not yet enforced by the government as at the Valuation Benchmark Date which affect the operations of the appraised entity, it is assumed that there are no significant changes in the laws and regulations related to the operations of the appraised entity during the income period;
- Ever since the Valuation Benchmark Date, there are no changes to the currency exchange rate, interest rate, tax bearing and inflation involved in the operations of the appraised entity that will cause material effects on the business condition of the appraised entity during the income period;
- The appraised entity will continue to operate and its assets will continue to be used in the future income period;

LETTER FROM THE BOARD

- The operator of the appraised entity is a responsible party and the management is capable of undertaking its duties, that there are no significant changes in the future income period to the key management and technical personnel of the appraised entity affecting its operations with reference to the conditions as at the Valuation Benchmark Date, and that the management team will be under stable development without any material change to the management system that would affect its operations;
- There are no significant adverse effects of other force majeure and unpredictable factors.

Special Assumptions

- Except for the fixed assets investments for which there is definite evidence as of the Valuation Benchmark Date showing that the production capacity will change subsequently, it is assumed that the appraised entity will not make significant investment activities on fixed assets that will affect its operations in the future income period, and its production capacity will be estimated based on the status as of the Valuation Benchmark Date;
- The impact on its value of the external equity investments made by the appraised entity following the Valuation Benchmark Date is not considered;
- The appraised entity will have steady cash inflows and cash outflows in the future forecast period;
- The appraised entity will have a sustainable operation in the future forecast period; there are new energy power plants within the scope of the valuation. According to the economic durability of the equipment, the operating cycle of a wind power plant is generally 20 years and that of a photovoltaic power plant is 25 years, and the valuation has taken into account the capital expenditure on renewal of certain assets of the new energy power plants, i.e. it has been assumed that the new energy power plants will be able to operate on a sustainable basis;
- It is assumed that the basic information and financial information provided by the entrusting party and the appraised entity are true, accurate and complete, and that the appraised entity is able to complete the corresponding production and operation activities according to the plan and realize corresponding revenues, costs and expenses.

LETTER FROM THE BOARD

Ernst & Young, the reporting accountants of the Company, has issued a report on the calculation of discounted future estimated cash flows (the “**Discounted Cash Flows**”) in respect of the fair value assessment of the entire shareholders’ equity of Baotou Aluminum and Inner Mongolia Huayun, the full text of which is set out in Appendix II to this supplemental circular. The Board confirms that the profit forecast of the value of the entire shareholders’ equity of Baotou Aluminum and Inner Mongolia Huayun as set out in the Valuation Reports was made after due and careful enquiry by the Board. A letter from the Board is set out in Appendix III to this supplemental circular.

(IV) INFORMATION ON BAOTOU ALUMINUM AND INNER MONGOLIA HUAYUN

(1) *Information on Baotou Aluminum*

Baotou Aluminum is a company incorporated in the PRC with limited liability. As at the Latest Practicable Date, Baotou Aluminum is a wholly-owned subsidiary of the Company, and is principally engaged in the production and sale of primary aluminum, aluminum alloys and their processed products, carbon products, power generation business and power transmission business, etc.

According to the Valuation Report prepared by GZL using the income approach, the appraised value of the entire shareholders’ equity of Baotou Aluminum as of the Valuation Benchmark Date was RMB22,370.5002 million. According to the audited consolidated financial statements of Baotou Aluminum prepared in accordance with the China Accounting Standards for Business Enterprises, the carrying amounts of the total assets and net assets of Baotou Aluminum as at 31 December 2024 are RMB23,713.9593 million and RMB15,083.6050 million, respectively. According to the audited consolidated financial statements of Baotou Aluminum prepared in accordance with the China Accounting Standards for Business Enterprises, the net profit (before and after taxation and extraordinary items) of Baotou Aluminum for the financial years ended 31 December 2023 and 31 December 2024 are set out as follows:

	For the year ended 31 December 2023 <i>(RMB0’000)</i> <i>(Audited)</i>	For the year ended 31 December 2024 <i>(RMB0’000)</i> <i>(Audited)</i>
Net profit before taxation and extraordinary items	252,223.85	202,253.86
Net profit after taxation and extraordinary items	213,242.09	164,623.99

LETTER FROM THE BOARD

(2) Information on Inner Mongolia Huayun

Inner Mongolia Huayun is a company incorporated in the PRC with limited liability. It is principally engaged in the production and sale of primary aluminum, aluminum alloy and their processed products, carbon products, etc. As at the Latest Practicable Date, Inner Mongolia Huayun is a non-wholly owned subsidiary of the Company, which is owned as to 50% by Baotou Aluminum and 50% by Chinalco, respectively.

According to the Valuation Report prepared by GZL using the income approach, the appraised value of the entire shareholders' equity of Inner Mongolia Huayun as of the Valuation Benchmark Date was RMB23,486.7595 million. According to the audited financial statements of Inner Mongolia Huayun prepared in accordance with the China Accounting Standards for Business Enterprises, the carrying amounts of the total assets and net assets of Inner Mongolia Huayun as at 31 December 2024 are RMB12,531.2314 million and RMB7,758.7262 million, respectively. According to the audited financial statements of Inner Mongolia Huayun prepared in accordance with the China Accounting Standards for Business Enterprises, the net profit (before and after taxation and extraordinary items) of Inner Mongolia Huayun for the financial years ended 31 December 2023 and 31 December 2024 are set out as follows:

	For the year ended 31 December 2023 (RMB0'000) (Audited)	For the year ended 31 December 2024 (RMB0'000) (Audited)
Net profit before taxation and extraordinary items	157,039.89	157,207.22
Net profit after taxation and extraordinary items	133,379.74	132,229.53

LETTER FROM THE BOARD

(V) FINANCIAL IMPACT OF THE TRANSACTION

As at the Latest Practicable Date, Baotou Aluminum is a wholly-owned subsidiary of the Company, and Inner Mongolia Huayun is a non-wholly owned subsidiary of the Company, which is owned as to 50% by Baotou Aluminum and 50% by Chinalco, respectively. Upon the completion of the Absorption and Merger, Baotou Aluminum will continue to subsist, Inner Mongolia Huayun will be cancelled according to law, and Baotou Aluminum will be held as to 65.5759% and 34.4241% by the Company and Chinalco, respectively, and therefore Baotou Aluminum will remain as a subsidiary of the Company and its financial conditions and results will still be consolidated into the Company's financial statements. The original cost invested by Chinalco for its 50% equity interest in Inner Mongolia Huayun shall be the consideration paid by Chinalco for the acquisition of 50% equity interest in Inner Mongolia Huayun from Baotou Transportation Investment Group Co., Ltd., which amounted to RMB700 million. As discussed and agreed with the reporting accountants of the Company, the transaction contemplated under the Absorption and Merger Agreement will not result in the loss of control over Baotou Aluminum by the Company, the deemed disposal contemplated under the transaction will be accounted for as an equity transaction that will not result in the recognition of any profit or loss.

(VI) REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company believes that the Absorption and Merger is in the overall interests of the Company and its Shareholders for the following reasons:

1. The Absorption and Merger aligns with the Company's strategic development plan. It can effectively address the imbalance in the electrolytic aluminum production capacity and electric energy production capacity between Baotou Aluminum and Inner Mongolia Huayun, eliminates policy barriers related to enterprise power transfer, compliantly releases production capacity value, reduces electricity costs, and enhances the Company's overall competitiveness and operational performance. The Company has always been committed to optimizing its industrial layout, enhancing industrial capabilities, fostering new quality productivity, and achieving green, low-carbon, and high-quality development. The Absorption and Merger will help improve industrial concentration and promote the healthy development of the industry, facilitate the integration of upstream and downstream industrial chains, creating a unified advantage, optimizing power resource allocation, reducing energy costs, and enhancing the market competitiveness of the Company and its enterprises, boost brand influence and market recognition, aiding in the expansion of international markets and overseas operations. Additionally, it will contribute to optimizing the energy structure, promoting green production, and improving sustainable development capabilities. Following the Absorption and Merger, Baotou Aluminum will become a crucial strategic pillar for the Company and the most competitive aluminum industry base of the Company in northern China.

LETTER FROM THE BOARD

2. The Absorption and Merger is between the Company's subsidiaries and will not affect the Company's assets, liabilities, total owner's equity, profit and other indicators on a consolidated basis. After the Absorption and Merger, Baotou Aluminum's control over the original assets and businesses of Inner Mongolia Huayun will be further enhanced, which is conducive to reducing management costs and improving management efficiency.
3. The Absorption and Merger does not involve cash payment and belongs to the integration of the rights and interests of the two legal entities. After the Absorption and Merger, Baotou Aluminum will remain as a subsidiary of the Company, and the Company will still be able to exercise effective control over Baotou Aluminum and effectively manage its production and operation. In addition, since both Baotou Aluminum and Inner Mongolia Huayun are subsidiaries of the Company, and Chinalco is the controlling Shareholder of the Company, the transaction risks can be effectively controlled.
4. After the Absorption and Merger, the shareholding ratios of the Company and Chinalco in Baotou Aluminum are calculated based on the appraised value in the asset valuation report issued by an independent third-party qualified appraisal institution. Both Baotou Aluminum and Inner Mongolia Huayun adopted the income approach for valuation, ensuring rationality and fairness.
5. The Company has a strong industrial foundation and scale advantage in Baotou, and has established a cooperative relationship with the government. Moving forward, the Company will fully leverage these advantages to increase operational support and control over Baotou Aluminum, continuously driving its high-quality development.

The Directors (including independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that the transaction contemplated under the Absorption and Merger Agreement is on normal commercial terms, and the terms under the Absorption and Merger Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. However, such transaction is not conducted in the ordinary or usual course of business of the Group due to its nature.

(VII) IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) in respect of the Absorption and Merger exceeds 5% but is less than 25%, the transaction constitutes a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Baotou Aluminum is a wholly-owned subsidiary of the Company, and Inner Mongolia Huayun is a non-wholly owned subsidiary of the Company, which is owned as to 50% by Baotou Aluminum and 50% by Chinalco, respectively. Chinalco is the controlling Shareholder of the Company. Accordingly, Inner Mongolia Huayun is a connected person of the Company under the Hong Kong Listing Rules. The Absorption and Merger constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) in respect of the Absorption and Merger exceeds 5% but is less than 25%, the transaction is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As Mr. Mao Shiqing and Mr. Li Xiehua, Directors of the Company, concurrently hold positions in Chinalco, they have abstained from voting on the Board resolution with respect to the transaction. Saved as disclosed above, none of the Directors has any material interest in the Absorption and Merger and therefore none of the other Directors has abstained from voting on such Board resolution.

The Independent Board Committee has been established by the Company to provide advice to the Independent Shareholders in respect of the transaction contemplated under the Absorption and Merger Agreement. VBG Capital, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

(VIII) GENERAL INFORMATION

Information on Baotou Aluminum

For information on Baotou Aluminum, please refer to “(IV) INFORMATION ON BAOTOU ALUMINUM AND INNER MONGOLIA HUAYUN” of this supplemental circular.

Information on Inner Mongolia Huayun

For information on Inner Mongolia Huayun, please refer to “(IV) INFORMATION ON BAOTOU ALUMINUM AND INNER MONGOLIA HUAYUN” of this supplemental circular.

LETTER FROM THE BOARD

Information on the Company

The Company is a joint stock limited company incorporated in the PRC, the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. The Group principally engages in the exploration and mining of bauxite, coal and other resources; production, sales and technology research of alumina, primary aluminum, aluminum alloy and carbon products; international trade; logistics business; thermal and new energy power generation, etc.

Information on Chinalco

As at the Latest Practicable Date, the Company is a subsidiary of Chinalco. Chinalco is a wholly state-owned enterprise incorporated in the PRC and is primarily engaged in development of mineral resources, smelting and processing of non-ferrous metal, relevant trading and engineering technology, etc.

III. EGM

The EGM will be held at the Company's conference room, No. 62 North Xizhimen Street, Haidian District, Beijing, the PRC at 2:00 p.m. on Thursday, 24 April 2025.

The notice of the EGM, the reply slip and the form of proxy have been published on the websites of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company (www.chalco.com.cn) on 6 March 2025. Shareholders who are qualified and intend to attend the EGM should complete and return the reply slip in accordance with the instructions printed thereon on or before Monday, 21 April 2025. Shareholders who intend to appoint a proxy to attend the EGM and to vote on the resolution set out in the notice of the EGM are requested to complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not prevent you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

For particulars of eligibility for attending the above meeting, registration procedures for attending the above meeting, closure of register of members and other matters regarding the EGM, please refer to the notice of the EGM and the circular of the Company dated 7 March 2025.

LETTER FROM THE BOARD

Chinalco and its associates held an aggregate of 5,563,312,965 Shares in the Company (representing approximately 32.43% of the issued share capital of the Company) as at the Latest Practicable Date (among these Shares, Chinalco directly holds 5,139,204,916 A Shares in the Company, Baotou Aluminum (Group) Co., Ltd. and Chinalco Asset Operation and Management Co., Ltd. (both being a subsidiary of Chinalco) hold 238,377,795 A Shares and 7,140,254 A Shares in the Company, respectively, and Aluminum Corporation of China Overseas Holdings Limited (being a subsidiary of Chinalco) holds 178,590,000 H Shares in the Company) and shall abstain from voting on the resolution for approving the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum. Saved as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholders is required to abstain from voting on the proposed resolution at the EGM.

IV. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this supplemental circular, which contains its recommendations to the Independent Shareholders in respect of the discloseable transaction and connected transaction in relation to the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum.

Your attention is also drawn to the letter from the Independent Financial Adviser as set out on pages 20 to 41 of this supplemental circular, which contain recommendations of VBG Capital to the Independent Board Committee and the Independent Shareholders in respect of the discloseable transaction and connected transaction in relation to the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum.

The Directors (including independent non-executive Directors) consider that the discloseable transaction and connected transaction in relation to the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum is fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution contained in the notice of the EGM dated 7 March 2025.

V. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this supplemental circular.

By order of the Board
Aluminum Corporation of China Limited*
Ge Xiaolei
Joint Company Secretary

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中国铝业股份有限公司

ALUMINUM CORPORATION OF CHINA LIMITED*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2600)

7 April 2025

To the Independent Shareholders

Dear Sirs or Madams,

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION
TO THE PROPOSED ABSORPTION AND MERGER OF INNER MONGOLIA HUAYUN
BY BAOTOU ALUMINUM**

We refer to the supplemental circular of the Company dated 7 April 2025 to the Shareholders (the “**Supplemental Circular**”), of which this letter forms part (terms defined in the Supplemental Circular shall have the same meanings when used in this letter, unless the context requires otherwise).

We have been appointed by the Board as the Independent Board Committee to advise you as to the fairness and reasonableness of the discloseable transaction and connected transaction in relation to the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum.

VBG Capital has been appointed by the Company as the Independent Financial Adviser to advise you and us in this regard. Details of its recommendation, together with the principal factors and reasons it has taken into consideration in arriving at its recommendation are set out in its letter set out on pages 20 to 41 of the Supplemental Circular.

Your attention is also drawn to the letter from the Board set out on pages 1 to 17 of the Supplemental Circular and the additional information set out in the appendices to the Supplemental Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the details of the discloseable transaction and connected transaction in relation to the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum and the interests of the Independent Shareholders, as well as the advice of VBG Capital, we consider that the discloseable transaction and connected transaction in relation to the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum is on normal commercial terms, fair and reasonable and in the interest of the Company and Shareholders as a whole, but is not in the usual or ordinary course of business of the Group by reason of the nature of such transaction. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution to be proposed at the EGM approving the discloseable transaction and connected transaction in relation to the proposed absorption and merger of Inner Mongolia Huayun by Baotou Aluminum.

Yours faithfully,

For and on behalf of the Independent Board Committee

Aluminum Corporation of China Limited*

Mr. Qiu Guanzhou

Mr. Yu Jinsong

Ms. Chan Yuen Sau Kelly

Independent non-executive Directors

* *For identification purpose only*

LETTER FROM VBG CAPITAL

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Absorption and Merger for the purpose of inclusion in this supplemental circular.



建泉融資有限公司
VBG Capital Limited

21/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

7 April 2025

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

Dear Sirs,

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION ABSORPTION AND MERGER OF INNER MONGOLIA HUAYUN BY BAOTOU ALUMINUM

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 Absorption and Merger, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the supplemental circular dated 7 April 2025 issued by the Company to the Shareholders (the “**Supplemental Circular**”), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Supplemental Circular unless the context requires otherwise.

On 28 February 2025, Baotou Aluminum (a wholly-owned subsidiary of the Company) and Inner Mongolia Huayun (a 50%-owned subsidiary of Baotou Aluminum) entered into the Absorption and Merger Agreement, pursuant to which Baotou Aluminum will conduct absorption and merger of Inner Mongolia Huayun. Upon completion of the Absorption and Merger, Baotou Aluminum will continue to subsist and Inner Mongolia Huayun will be cancelled according to law, and Baotou Aluminum will be held as to approximately 65.5759% and 34.4241% by the Company and Chinalco, respectively.

As referred to in the Letter from the Board, the Absorption and Merger constitutes a discloseable and connected transaction for the Company under the Hong Kong Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements.

LETTER FROM VBG CAPITAL

The Independent Board Committee comprising Mr. Qiu Guanzhou, Mr. Yu Jinsong and Ms. Chan Yuen Sau Kelly (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Absorption and Merger Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Absorption and Merger is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Absorption and Merger Agreement and the Absorption and Merger at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from (i) having acted as the independent financial adviser of the Company relating to (a) the revision of annual caps regarding the mutual provision of production supplies and ancillary services for 2024 and 2025 between the Company and Chinalco which a supplemental circular dated 4 November 2024 was issued; and (b) the renewal of several continuing connected transactions between the Company and Chinalco or its subsidiary which a supplemental circular dated 23 May 2023 was issued; and (ii) the existing engagement in relation to the Absorption and Merger, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Hong Kong Listing Rules) of the Company or any of their associates (as defined in the Hong Kong Listing Rules). We consider there is no relationship or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence and hence we consider ourselves independent to form our opinion in respect of the Absorption and Merger in compliance with Rule 13.84 of the Hong Kong Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Absorption and Merger, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Company (including but not limited to those contained or referred to in the Supplemental Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Company were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the Supplemental Circular. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in the Supplemental Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Supplemental Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

LETTER FROM VBG CAPITAL

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Supplemental Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Supplemental 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 in the Supplemental Circular or the Supplemental Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Supplemental 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 investigation into the business and affairs or future prospects of the Group, Baotou Aluminum, Inner Mongolia Huayun, Chinalco or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Absorption and Merger. Our opinion is necessarily based on the market, financial, economic 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 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. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

We have not made any independent evaluation or appraisal of assets and liabilities in relation to the Absorption and Merger, and we have not been furnished with any such evaluation or appraisal, save and except for the Valuation Reports prepared by GZL (the “**Valuer**”) regarding the appraised values of the entire shareholders’ equity of Baotou Aluminum as well as Inner Mongolia Huayun. Since we are not experts in the valuation of assets, land and properties, we have relied solely upon the Valuation Reports for the appraised values of the shareholders’ equity of Baotou Aluminum as well as Inner Mongolia Huayun as at the Valuation Benchmark Date.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

LETTER FROM VBG CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. BACKGROUND OF AND REASONS FOR THE ABSORPTION AND MERGER

Business and financial overview of the Group

The Company is a joint stock limited company incorporated in the PRC, the A Shares and H Shares of which are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively. The Group principally engages in the exploration and mining of bauxite, coal and other resources; production, sales and technology research of alumina, primary aluminum, aluminum alloy and carbon products; international trade; logistics business; thermal and new energy power generation, etc.

With reference to the annual results announcement of the Company for the year ended 31 December 2024, the Group recorded substantial revenue of approximately RMB237.1 billion in 2024 while its net profit for the year jumped by approximately 54.4% from approximately RMB12.6 billion in 2023 to approximately RMB19.4 billion.

As represented by the Directors, the Group is a leading enterprise in aluminum industry in China, ranking among the top in the global aluminum industry in terms of overall strengths. The Group's alumina, electrolytic aluminum, fine alumina, high purity aluminum, aluminum anodes and gallium metal production capacity all rank first in the world, and is a large manufacturer and operator with integration of exploration and mining of bauxite, coal and other resources; production, sales and technology research of alumina, primary aluminum, aluminum alloy and carbon; international trade; logistics business; thermal and new energy power generation. To maintain ongoing business advancement and adapt to industry changes and challenges, the Company has been committed to optimising the industrial layout, innovation-driven progress, green and low-carbon development.

Information on Baotou Aluminum

As stated in the Letter from the Board, Baotou Aluminum is a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company. Baotou Aluminum is principally engaged in the production and sale of primary aluminum, aluminum alloys and their processed products, carbon products, power generation business and power transmission business, etc.

LETTER FROM VBG CAPITAL

According to the audited consolidated financial report of Baotou Aluminum prepared in accordance with the China Accounting Standards for Business Enterprises, the carrying amounts of the total assets and net assets of Baotou Aluminum as at 31 December 2024 were approximately RMB23.7 billion and RMB15.1 billion, respectively. According to the audited consolidated financial report of Baotou Aluminum prepared in accordance with the China Accounting Standards for Business Enterprises, the net profit after taxation and extraordinary items of Baotou Aluminum in 2024 was approximately RMB1.6 billion.

Information on Inner Mongolia Huayun

As stated in the Letter from the Board, Inner Mongolia Huayun is a company incorporated in the PRC with limited liability and was owned as to 50% by Baotou Aluminum and 50% by Chinalco as at the Latest Practicable Date. Inner Mongolia Huayun is principally engaged in the production and sale of primary aluminum, aluminum alloy and their processed products, carbon products, etc.

According to the audited financial report of Inner Mongolia Huayun prepared in accordance with the China Accounting Standards for Business Enterprises, the carrying amounts of the total assets and net assets of Inner Mongolia Huayun as at 31 December 2024 were approximately RMB12.5 billion and RMB7.8 billion, respectively. According to the audited financial report of Inner Mongolia Huayun prepared in accordance with the China Accounting Standards for Business Enterprises, the net profit after taxation and extraordinary items of Inner Mongolia Huayun in 2024 was approximately RMB1.3 billion.

Overview of China's aluminum industry

We have independently conducted market research regarding the latest operation and development of China's aluminum industry. Based on a research report named "2024 Panorama Observation of China's Aluminum Industry" published by China Nonferrous Metals Industry Association at <https://www.cnmn.com.cn/> in January 2025 (the "**Report**"), in 2024, China's aluminum industry grew in a complex environment under the dual influence of the global economic model and domestic policy guidance. On the whole, its market size continued to expand, and both aluminum production and consumption maintained growth, but the growth rate fluctuated.

The operation and development of China's aluminum industry has shown the following five distinctive features in 2024:

- (1) The layout of the whole industrial chain has been perfected: With the "ceiling" of electrolytic aluminum production capacity as the core, the upstream and downstream linkage development, not only the development of the whole industrial chain of bauxite, alumina, electrolytic aluminum, recycled aluminum, and aluminum alloy was more coordinated, but also the industrial structure was more reasonable.

- (2) The industry output was among the highest in the world: In 2024, output of the four core segments of China's aluminum industry ranked among the top in the world. China's bauxite output was approximately 64.2 million tons, accounting for around 16% of the world's total bauxite production. The output of alumina was approximately 85.9 million tons, accounting for nearly 60% of the world's total alumina output. The output of electrolytic aluminum was approximately 43.7 million tons, accounting for nearly 60% of the world's total electrolytic aluminum output. The output of aluminum processing materials was approximately 64.6 million tons, accounting for over 60% of the world's total output of aluminum processing materials. Driven by the supply-side structural reform, a new round of restructuring around the "ceiling" of 45 million tons of electrolytic aluminum production capacity has further improved the industrial concentration of China's aluminum industry and promoted the continuous optimisation of resource allocation, thereby enhancing the overall operation efficiency of the industry.
- (3) The results of green development are beginning to appear: In 2024, the proportion of electrolytic aluminum green energy, the largest link in the aluminum industry, exceeded 25%, and the proportion of thermal power continued to decline. A number of wind power and solar power generation projects were put into operation. The continuous increase in the proportion of green energy in China's aluminum industry has effectively reduced the dependence on traditional energy and accelerated the progress of the aluminum industry's low-carbon transformation. The output of recycled aluminum exceeded 10 million tons, and the ratio of recycled aluminum to primary aluminum reached 1:4. With the integrated development of recycled aluminum, primary aluminum, and aluminum processing, the carbon footprint of aluminum processing material production has been greatly reduced.
- (4) Remarkable achievements in scientific and technological innovation: A number of key technologies have made breakthroughs, such as the project "Key Technology and Application of Efficient Removal of Alumina Organic Matter in Guinea Bauxite Production and Collaborative Vanadium Extraction", which has solved the utilisation problem of bauxite resources in China and improved the production efficiency of alumina; "Synchronous Desulfurisation and Decarburisation of Ultra-high Sulfur Bauxite Flotation in Zunyi Area" has overcome the technical bottleneck of carbon and sulfur control of aluminum concentrate and improved the utilisation rate of bauxite resources. A number of intelligent production has been rapidly promoted, while other new product research and development has also been successful.
- (5) Significant fluctuations in alumina prices: Since the beginning of 2024, the price of alumina has begun to rise all the way, and its spot market price approached RMB5,000/ton in October, the highest in nearly ten years. The soaring price of alumina has led to a sharp increase in the production cost of electrolytic aluminum. Despite the subsequent fall in alumina price, its price level still fluctuated at a high level of around RMB4,000/ton.

LETTER FROM VBG CAPITAL

In particular, the electrolytic aluminum segment of China's aluminum industry has shown the following characteristics:

- (1) In recent years, with the continuous strengthening of the country's capacity regulation and control of the electrolytic aluminum segment, the "ceiling" policy of production capacity has gradually become clear. In 2024, this policy has been further clarified and consolidated. The "2024–2025 Energy Conservation and Carbon Reduction Action Plan" issued by the State Council requires strict implementation of electrolytic aluminum capacity replacement, new construction, reconstruction and expansion of electrolytic aluminum projects must reach the energy efficiency benchmark level and environmental performance level A, and no new electrolytic aluminum production capacity will be added in key areas of air pollution prevention and control. The "Special Action Plan for Energy Conservation and Carbon Reduction in the Electrolytic Aluminum Industry" issued by the National Development and Reform Commission and other government departments once again emphasises that by the end of 2025, the proportion of production capacity above the energy efficiency benchmark level of the electrolytic aluminum segment will reach 30%, the proportion of renewable energy use will reach more than 25%, and the production capacity below the energy efficiency benchmark level will complete technological transformation or be eliminated and withdrawn. As of December 2024, the operating capacity of China's electrolytic aluminum segment was approximately 43.6 million tons, an increase of approximately 1.5 million tons as compared to that at the end of 2023. At present, the total operating capacity of domestic electrolytic aluminum has already approached the "ceiling" of 45 million tons.
- (2) In 2024, price of electrolytic aluminum has demonstrated the trend of first rising, then declining and then fluctuating. Factors influencing the price trend of electrolytic aluminum were complex. From macro perspective, factors such as the global economic recovery, monetary policy easing and international trade tensions have had an important impact on aluminum prices. For example, the global economic recovery has led to the growth of demand for aluminum, while the Federal Reserve's monetary policy adjustments have affected the US dollar exchange rate and global capital flows, which in turn has indirectly affected the price of aluminum. From micro perspective, the relationship between supply and demand for electrolytic aluminum, cost changes and industry policies were the main factors leading to price fluctuations. In 2024, the domestic supply of electrolytic aluminum was relatively stable, but the demand side was affected by the opposing impact of the downturn in the real estate market and the increasing demand from emerging industries, such as new energy vehicles and photovoltaics. In terms of cost, the sharp rise in alumina prices and the fluctuation of electricity costs have formed a strong support and promotion for the rise in electrolytic aluminum prices.

- (3) In 2024, great variations were seen in the profitability of enterprises in different regions and sizes. Regionally, enterprises in Yunnan, Xinjiang and other regions with low energy costs were in a favorable position in market competition due to their cost advantages, and their profitability was relatively good. Electrolytic aluminum enterprises in these regions benefited from abundant hydropower or coal power resources, and the cost of electricity accounted for a relatively low proportion of the total cost, which could withstand a certain degree of aluminum price fluctuations. Enterprises in traditional electrolytic aluminum production regions such as Henan and Shandong were facing high energy costs and environmental protection pressures, and their profit margins were greatly squeezed. From enterprise scale perspective, large enterprises have exhibited stronger anti-risk ability and profitability in market fluctuations by virtue of economies of scale, technological advantages and diversified industrial chain layout. For example, Aluminum Corporation of China (i.e. the Company) and China Hongqiao Group Limited, as leading enterprises in the industry, have achieved good economic benefits by integrating resources, optimising production processes and expanding the market for high-end products. In terms of cost control, enterprises that could effectively reduce the procurement cost and energy consumption of raw materials such as alumina and electricity were often able to obtain higher profit margins. In terms of product structure, enterprises that focus on research and development and production of high value-added aluminum alloy products and high-purity aluminum products enjoyed better profitability and market competitiveness than enterprises that simply produce ordinary electrolytic aluminum.

Reasons for and possible benefits of the Absorption and Merger

As advised by the Directors, the Absorption and Merger is in the overall interests of the Company and the Shareholders for the following reasons:

- (1) The Absorption and Merger aligns with the Company's strategic development plan. It can effectively address the imbalance in the electrolytic aluminum production capacity and electric energy production capacity between Baotou Aluminum and Inner Mongolia Huayun, eliminates policy barriers related to enterprise power transfer, compliantly releases production capacity value, reduces electricity costs, and enhances the Company's overall competitiveness and operational performance. The Company has always been committed to optimising its industrial layout, enhancing industrial capabilities, fostering new quality productivity, and achieving green, low-carbon, and high quality development. The Absorption and Merger will help improve industrial concentration and promote the healthy development of the industry, facilitate the integration of upstream and downstream industrial chains, creating a unified advantage, optimising power resource allocation, reducing energy costs, and enhancing the market competitiveness of the Group, boost brand influence and market recognition, aiding in the expansion of international markets and overseas operations. Additionally, it will contribute to optimising the energy structure, promoting green production, and improving sustainable development capabilities. Following the Absorption and Merger, Baotou Aluminum will become a crucial strategic pillar for the Company and the most competitive aluminum industry base of the Company in northern China.

LETTER FROM VBG CAPITAL

- (2) The Absorption and Merger is between the Company's subsidiaries and will not affect the Company's assets, liabilities, total owner's equity, profit and other indicators on a consolidated basis. After the Absorption and Merger, Baotou Aluminum's control over the original assets and businesses of Inner Mongolia Huayun will be further enhanced, which is conducive to reducing management costs and improving management efficiency.
- (3) The Absorption and Merger does not involve cash payment and belongs to the integration of rights and interests of the two legal entities. After the Absorption and Merger, Baotou Aluminum will remain as a subsidiary of the Company, and the Company will still be able to exercise effective control over Baotou Aluminum and effectively manage its production and operation. In addition, since both Baotou Aluminum and Inner Mongolia Huayun are subsidiaries of the Company, and Chinalco is the controlling shareholder (as defined in the Hong Kong Listing Rules) of the Company, the transaction risks can be effectively controlled.
- (4) After the Absorption and Merger, the shareholding ratios of the Company and Chinalco in Baotou Aluminum are calculated based on the appraised value in the asset valuation report issued by an independent third-party qualified appraisal institution. Both Baotou Aluminum and Inner Mongolia Huayun adopted the income approach for valuation, ensuring rationality and fairness.
- (5) The Company has a strong industrial foundation and scale advantage in Baotou Aluminum, and has established a cooperative relationship with the government. Going forward, the Company will fully leverage on these advantages to increase operational support and control over Baotou Aluminum, continuously driving its high quality development.

From our independent market research as detailed in the previous sub-section of this letter of advice, we noted that the layout of the whole industrial chain of China's aluminum industry has been perfected with the "ceiling" of electrolytic aluminum production capacity as the core. Driven by the supply-side structural reform, a new round of restructuring around the "ceiling" of 45 million tons of electrolytic aluminum production capacity has further improved the industrial concentration of China's aluminum industry and promoted the continuous optimisation of resource allocation, thereby enhancing the overall operation efficiency of the industry. Within the electrolytic aluminum segment, the implementation of various government regulatory policies is of great significance to the long-term development of this segment as they help to control overcapacity, avoid vicious competition and promote the development direction towards high quality, green and sustainability. In addition, effective cost control and operational efficiency are important factors affecting electrolytic aluminum enterprises' profitability. The Report specifically pointed out that enterprises that can effectively reduce the procurement cost and energy consumption of raw materials such as alumina and electricity are in a favorable position in market competition due to their cost advantages. Moreover, large enterprises have exhibited stronger anti-risk ability and profitability in market fluctuations by virtue of economies of scale, technological advantages and diversified industrial chain layout. The Report also quoted the Company as one of the examples, further explaining the importance of being able to achieve good economic benefits by integrating resources, optimising production processes and expanding the market for high-end products.

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In light of that (a) the Absorption and Merger would (i) effectively address the imbalance in the electrolytic aluminum production capacity and the electricity and energy production capacity structure between Baotou Aluminum and Inner Mongolia Huayun, eliminate the policy barriers related to enterprise power transfer and release the value of the production capacity in a compliant manner, reduce electricity costs and enhance overall competitiveness and operational performance of the Group; and (ii) reduce the internal transactions of the Group, streamline the level of internal management, lower the cost of management, and enhance the management efficiency; and (b) our independent market research revealed that the layout of the whole industrial chain of China's aluminum industry has been perfected with the "ceiling" of electrolytic aluminum production capacity as the core; while within the electrolytic aluminum segment, various government regulatory policies have been implemented and at the same time, effective cost control and operational efficiency are important factors affecting enterprises' profitability, we concur with the Directors that the Absorption and Merger is in the interests of the Company and the Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Group due to the nature of the Absorption and Merger.

2. PRINCIPAL TERMS OF THE ABSORPTION AND MERGER AGREEMENT

On 28 February 2025, Baotou Aluminum and Inner Mongolia Huayun entered into the Absorption and Merger Agreement, pursuant to which Baotou Aluminum will conduct absorption and merger of Inner Mongolia Huayun. As the surviving company after the merger, Baotou Aluminum will undertake all the assets, debts and liabilities, businesses and personnel of Inner Mongolia Huayun and the legal entity qualification of Inner Mongolia Huayun will be canceled.

Immediately prior to completion of the Absorption and Merger, Baotou Aluminum is a wholly-owned subsidiary of the Company and Inner Mongolia Huayun is a non-wholly owned subsidiary of the Company, which is owned as to 50% by Baotou Aluminum and 50% by Chinalco.

Shareholding structure of Baotou Aluminum after the Absorption and Merger

According to the Baotou Aluminum Asset Valuation Report prepared by the Valuer using the income approach, the appraised value of the entire shareholders' equity of Baotou Aluminum was RMB22,370.5002 million as at the Valuation Benchmark Date (the "**BA Valuation**"). According to the Inner Mongolia Huayun Asset Valuation Report prepared by the Valuer using the income approach, the appraised value of the entire shareholders' equity of Inner Mongolia Huayun was RMB23,486.7595 million as at the Valuation Benchmark Date (the "**IMH Valuation**", together with the BA Valuation, the "**Valuations**").

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The shareholding structure of Baotou Aluminum after the Absorption and Merger was determined based on the shareholding structure of Baotou Aluminum and Inner Mongolia Huayun prior to the Absorption and Merger, and the Valuations, the exact calculation methods are as follows:

- (a) Shareholding ratio of Baotou Aluminum held by Chinalco after the Absorption and Merger
= The IMH Valuation * Shareholding ratio held by Chinalco / (The BA Valuation + The IMH Valuation * Shareholding ratio held by Chinalco).
- (b) Shareholding ratio of Baotou Aluminum held by the Company after the Absorption and Merger = The BA Valuation / (The BA Valuation + The IMH Valuation * Shareholding ratio held by Chinalco).

Immediately after completion of the Absorption and Merger, Baotou Aluminum will continue to subsist and Inner Mongolia Huayun will be cancelled according to law, and Baotou Aluminum will be held as to approximately 65.5759% and 34.4241% by the Company and Chinalco, respectively.

The Valuations

- Qualification and experience of the Valuer

We have reviewed the two Valuation Reports, sent out information request lists and enquired into the Valuer regarding the methodologies adopted for and the assumptions used in each of the Valuations. For our due diligence purpose, we have also reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Reports; and (iii) the steps and due diligence measures taken by the Valuer to arrive at the Valuations. The Valuer also confirmed that they are independent to Chinalco, the Company, Baotou Aluminum, Inner Mongolia Huayun and their respective associates.

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From the mandate letter, company brochure and track record information provided by the Valuer, we noted that the Valuer have obtained the “Securities and Futures-related Business Evaluation Qualification Certificate” approved and issued by the Ministry of Finance and the China Securities Regulatory Commission together with the “Asset Appraisal Qualification Certificate” approved and issued by the Guangdong Provincial Department of Finance. As such, they possess the qualification to engage in asset appraisal, including but not limited to real estate, machinery and equipment, current assets, and intangible assets, for enterprises nationwide. For instance, the Valuer have been engaged by various listed companies in Hong Kong and the PRC to perform valuation work. Furthermore, we understand from the Valuer that for the purpose of preparing the Valuation Reports, they conducted site visit and thorough review to perform the valuation procedures. We are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for preparation of the Valuation Reports.

- Methodologies and assumptions of the Valuations

In the course of our due diligence with the Valuer, we understand that there are three commonly adopted valuation approaches for assets valuation, namely market approach, asset-based approach and income approach. The market approach is to evaluate the current fair market value of an appraised subject with reference to similar assets in the real market, where direct appraisal data from the market are available. As advised by the Valuer, given that as at the Valuation Benchmark Date, both Baotou Aluminum and Inner Mongolia Huayun were in the course of significant structural changes, it is difficult to find comparable market companies in the same or similar industry with the same or similar capital structure and scale, and there are insufficient similar transaction cases to provide reasonable data for comparison. Accordingly, the market approach was not adopted for the Valuations.

For tangible assets, the asset-based approach is based on book values, as long as the book value record is accurate, it is relatively easy to use the asset-based approach for valuation as this approach is based on balance sheet, whereby the market value of each individual asset and liability is used to replace their respective historical cost. By subtracting the value of all liabilities from the aggregate assets value, the appraised value of the appraised subject is obtained. According to the Valuer, in view of that the financial statements of both Baotou Aluminum and Inner Mongolia Huayun were audited, and the market value of their respective assets and liabilities can be evaluated, the asset-based approach is appropriate for the Valuations.

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Lastly, as regards the income approach, when assessing whether this approach is suitable for the Valuations, the Valuer have made their judgment based on four aspects, namely (i) the overall situation of Baotou Aluminum and Inner Mongolia Huayun; (ii) purpose of the valuation; (iii) analysis on the financial statements of Baotou Aluminum and Inner Mongolia Huayun; and (iv) selection of parameters under the income approach.

(a) The overall situation of Baotou Aluminum and Inner Mongolia Huayun

- The appraised subjects comprise operational assets, of which the property rights are clear and kept intact, and both Baotou Aluminum and inner Mongolia Huayun are under continuous operation.
- The future earnings of Baotou Aluminum and Inner Mongolia Huayun can be measured in monetary terms, on the basis that each of their operating income, costs and expenses and other cash inflows and outflows are measurable in monetary terms.
- The risk of the appraised subjects, consisting mainly of industry risks, operational risks and financial risks, can be measured in monetary terms.

(b) Purpose of the valuation

Taking into account that the purpose of the valuation is to provide a valuation reference for the Absorption and Merger, the valuation should take the appraised subjects as an organic whole and reflect the overall value of their shareholders' equity.

(c) Analysis on the financial statements of Baotou Aluminum and Inner Mongolia Huayun

The financial statements of both Baotou Aluminum and inner Mongolia Huayun were audited.

(d) Selection of parameters under the income approach

The domestic capital market has made great progress with the relevant beta coefficient, risk-free return rate, market risk return and other information easily obtainable.

After assessing the aforementioned four aspects, the Valuer are of the opinion that the income approach is suitable for the Valuations.

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As confirmed by the Valuer, the asset-based approach and income approach are widely considered as accepted valuation approaches for valuing assets, they are consistent with normal market practice and in compliance with the relevant valuation standards in the PRC. Besides that, the Valuations are prepared in accordance with the requirements set out in Chapter 5 and Practice Note 12 to the Hong Kong Listing Rules.

We have also discussed with the Valuer in respect of the key assumptions used in the Valuations. As advised by the Valuer, given that both Baotou Aluminum and Inner Mongolia Huayun are currently in the stage of stable operation, except for the fixed assets investments for which there was definite evidence as of the Valuation Benchmark Date showing that the production capacity will change subsequently, the Valuer assumed that Baotou Aluminum and Inner Mongolia Huayun will not make significant investment activities on fixed assets that will affect their respective operations in the future and assumed their future cash flows would be relatively steady. Moreover, we understand and consider that the general assumptions used in the Valuations are common in other similar valuations.

On the basis of the foregoing, there is no material fact which would lead us to doubt the fairness and reasonableness of the methodologies adopted for and assumptions used in each of the Valuations.

- Cross-checking of the valuation methodologies

As said, the Valuer have adopted both the asset-based approach and income approach to estimate the value of Baotou Aluminum. The appraised value of the entire shareholders' equity of Baotou Aluminum derived by using the asset-based approach was RMB21,344.8313 million and that derived by using the income approach was RMB22,370.5002 million, and the difference was approximately RMB1.0 billion.

Likewise , the Valuer have adopted both the asset-based approach and income approach to estimate the value of Inner Mongolia Huayun. The appraised value of the entire shareholders' equity of Inner Mongolia Huayun derived by using the asset-based approach was RMB9,778.6700 million and that derived by using the income approach was RMB23,486.7595 million, and the difference was approximately RMB13.7 billion.

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The Valuer advised us that the asset-based approach indirectly evaluates the fair market value of assets from the perspective of asset replacement, and thus cannot reasonably reflect the comprehensive profitability of each asset and the actual operating condition of the appraised subject; whereas the income approach evaluates assets from the perspective of the expected profitability of such assets. On the other hand, during the normal operation cycle of electrolytic aluminum enterprises, after entering the stable operation period, their future income, cost and operating risk can be reasonably predicted. With this being the case, given that both Baotou Aluminum and Inner Mongolia Huayun are currently in the stage of stable operation, their value should not only include the value of tangible assets such as fixed assets and working capital but also encompass the contributions of important intangible assets such as management experience, business networks and service capabilities. Additionally, it should include the synergistic effects generated by factors such as the enterprise's industry competitiveness, its management, marketing channels and customer base. As such, the values estimated using the income approach can more reasonably reflect the actual values of Baotou Aluminum and Inner Mongolia Huayun. The Valuer consider the income approach to be fair and reasonable to be used for the BA Valuation and the IMH Valuation to reflect the respective appraised value of the entire shareholders' equity of Baotou Aluminum and Inner Mongolia Huayun.

Besides, considering from the perspective of the valuation purpose, the Absorption and Merger places more emphasis on the future profitability of the assets. The valuation by asset-based approach is based on the respective balance sheet of Baotou Aluminum and Inner Mongolia Huayun, which only reflects the market value of the assets owned by them on the Valuation Benchmark Date, but cannot reflect the profitability of the assets. Therefore, the income approach is more able to objectively and fairly reflect the actual value of Baotou Aluminum and Inner Mongolia Huayun as at the Valuation Benchmark Date, and hence the valuation conclusion of the income approach has been adopted as the final valuation conclusion in the Valuation Reports.

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- The discounted cash flow (“DCF”) model under the income approach

We have enquired into the Valuer in further depth in relation to the DCF model the Valuations were derived from under the income approach. As explained by the Valuer, the basic idea of this model is to calculate the business value of an appraised subject based on its expected future cash flows, the sum of which is discounted using an appropriate discount rate. The key attributes of this model are as follows:

- (a) Calculation of the business value of the appraised subject:

The business value of the appraised subject refers to the value of its operating assets. The formula for calculating the business value of the appraised subject is:

$$P = \sum_{t=1}^n \frac{FCFE_t}{(1+R)^t}$$

Of which:

P = Value of the operating assets of the appraised subject

FCFE t = Free operating cash flow in the next t years, with “free operating cash flow” calculated as “net profit after tax + depreciation and amortisation + interest expense after deducting tax impact – capital expenditure – change in working capital”

R = Discount rate

T = Forecast year

- (b) Operating assets:

In the DCF model, assets of the appraised subject are divided into two categories, being operating assets and non-operating assets. Operating assets are assets related to the operation of the appraised subject, which are further divided into efficient assets and surplus assets. Efficient assets are assets that are in use or will be used in future operation of the appraised subject, while surplus assets are the excess operating assets that are not directly related to the income of the appraised subject. Non-operating assets refer to assets held for the purpose of non-business needs and are not directly related to production and operation, examples of which are automobiles, short-term stock and bond investments.

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- (c) Future earnings during the forecast period:

The principal products of Baotou Aluminum consist of primary aluminum liquids, aluminum ingots for remelting, high-purity aluminum, anode roasted blocks, and general aluminum. Revenues of Baotou Aluminum have shown a fluctuating upward trend in the historical years. Baotou Aluminum currently has three electrolytic aluminum production lines with a total capacity of 550,000 tons, including 300,000 tons/year for 400kA, 150,000 tons/year for 240kA, and 100,000 tons/year for 200kA; three high-purity aluminum production areas with a capacity of 60,000 tons; one carbon production line with a capacity of 120,000 tons; and two 330,000 kW self-contained units; and a high quality, green and low-carbon aluminum alloy transformation project with a capacity of 60,000 tons. In the first half of 2025, Baotou Aluminum will set up a new energy branch, which will put into operation 1,200 MW wind and photovoltaic generating units. Furthermore, Baotou Aluminum will complete a 200,000-ton high quality deformed aluminum alloy and recycled aluminum recycling project.

For the purpose of the BA Valuation, the management of Baotou Aluminum made a revenue forecast for 2025 and subsequent years based on its production plan and market research, with product revenue calculated on the basis of sales volume and unit price. For sales volume of products in subsequent years, the reduction in production of electrolytic aluminum and expansion in capacity of aluminum alloy were considered. For unit selling price, Baotou Aluminum adopted the principles of using the market price of aluminum as base while granting a certain margin of discount for sales pricing.

As for Inner Mongolia Huayun, it mainly produces aluminum ingots and aluminum liquids. Inner Mongolia Huayun currently has two electrolytic aluminum production lines with a total capacity of 750,000 tons, including 464,000 tons/year for 500kA and 280,000 tons/year for 400kA, and three 350,000 kW self contained units. Upon implementation of the “Approval of Preliminary Design and Commencement of Construction of Inner Mongolia Huayun Phase III 420,000-ton Light Alloy Material Project” (Chalco Ke Fa Zi [2023] No. 123), Inner Mongolia Huayun commenced the construction of the Huayun Phase III project in April 2023. Completion of this project will add an annual output of 420,000 tons of electrolytic aluminum from primary aluminum.

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For the purpose of the IMH Valuation, the management of Inner Mongolia Huayun made a revenue forecast for 2025 and subsequent years based on its production plan and market research, with product revenue calculated on the basis of sales volume and unit price. The sales volume of aluminum ingots and aluminum liquids in 2025 was forecasted based on the existing capacity of Inner Mongolia Huayun and the expected increase in capacity of the Huayun Phase III project, and such capacity will be maintained at the same level in subsequent years; as for alloy series, refined aluminum liquids and trading ingots, since Inner Mongolia Huayun will no longer be engaged in such businesses in subsequent years, no further forecasts were made. For unit selling price, Inner Mongolia Huayun adopted the principles of using the market price of aluminum as base while granting a certain margin of discount for sales pricing

We have reviewed the analysis and factors considered by the Valuer in formulating the future earnings of Baotou Aluminum and Inner Mongolia Huayun, namely (i) the historical financial performance of these two companies; (ii) their existing production capacity and possible future expansion plan; and (iii) market research of the industry trends and prospects. In relation to the above, we requested from the Company and studied the historical financial information of Baotou Aluminum and Inner Mongolia Huayun. We also discussed with the Company and the Valuer regarding the existing production capacity and future expansion plan of these two companies. We noted that the forecasted future earnings of Baotou Aluminum and Inner Mongolia Huayun were estimated with fair and reasonable basis.

From the market research and analysis conducted by the Valuer, the price of electrolytic aluminum is expected to gradually rise. As such, the Valuer are of the view that for electrolytic aluminum enterprises with growth opportunities, for example: new production capacity launch, technology upgrade, and market share expansion, the potential benefits to be brought by the said expected growth shall be included in the valuation. We noted that the market research results of the Valuer basically coincide with our independent research findings as illustrated in the subsection headed “Overview of China’s aluminum industry” of this letter of advice.

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- Compliance with the Hong Kong Listing Rules

Given that the Valuations were estimated using the income approach, in such case, it is stipulated under Rule 14.60A of the Hong Kong Listing Rules that the Company is required to obtain (i) a letter from its auditors or reporting accountants confirming that they have reviewed the accounting policies and calculations for the forecast containing in the Valuations; and (ii) a report from its financial advisers confirming that they are satisfied that the forecast in the Valuations have been made by the Directors after due and careful enquiry, if no financial advisers have been appointed in connection with the transaction, the Company must provide a letter from the Board confirming they have made the forecast after due and careful enquiry. We consider that the above stipulation of the Hong Kong Listing Rules could safeguard the interest of the Shareholders and we noted that the Company has complied with the said requirements (for details, please refer to Appendices II and III to the Supplemental Circular).

Conclusion

Having considered that the shareholding structure of Baotou Aluminum after the Absorption and Merger was determined based on the shareholding structure of Baotou Aluminum and Inner Mongolia Huayun prior to the Absorption and Merger, and the Valuations which are fair and reasonable, we are of the opinion that the terms of the Absorption and Merger Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned

Employee resettlement programme

In accordance with the Absorption and Merger Agreement, after the Absorption and Merger, the labour contracts of all employees of Baotou Aluminum will remain unchanged; the labour relationship of all employees of Inner Mongolia Huayun will be taken over by Baotou Aluminum, with the seniority calculated on a continuous basis, and their wages and other labour conditions will remain unchanged.

We are of the opinion that such arrangement can reduce possible operational instability caused by the Absorption and Merger and is thus favourable to the Group.

LETTER FROM VBG CAPITAL

Succession arrangements for debts and liabilities

As stipulated under the Absorption and Merger Agreement, with effect from the Effective Date, all assets, debts and liabilities, businesses, qualifications, contracts and all other rights and obligations of Baotou Aluminum will continue to be held and performed; and all assets, debts and liabilities, businesses, qualifications, contracts and all other rights and obligations of Inner Mongolia Huayun will be inherited and performed by Baotou Aluminum, which will bear the consequences of the operation.

The notification obligations to creditors and debtors in relation to the Absorption and Merger will be implemented in accordance with Article 220 of the Company Law of the PRC. After the announcement of the matters relating to the Absorption and Merger, Inner Mongolia Huayun shall notify its important customers, agents and suppliers in an appropriate manner of the matters relating to the transfer of the business involved in the Absorption and Merger Agreement, so as to ensure Baotou Aluminum's smooth undertaking of the transferred business.

Within 30 days after the Effective Date, Inner Mongolia Huayun shall hand over all the assets and all the relevant documents to Baotou Aluminum in a complete manner. At the same time, Inner Mongolia Huayun shall hand over any and all documents that have a significant impact on its subsequent operation to Baotou Aluminum.

On the Effective Date, Inner Mongolia Huayun shall hand over all the information of the bank accounts that have been opened, the reserved seals and all seals of Inner Mongolia Huayun to Baotou Aluminum.

We are of the opinion that the aforesaid succession arrangements for debts and liabilities, which (i) stipulate that with effect from the Effective Date, all assets, debts and liabilities etc. of Baotou Aluminum will continue be held and performed; all assets, debts and liabilities etc. of Inner Mongolia Huayuan will be inherited and performed by Baotou Aluminum; and (ii) request Inner Mongolia Huayun to hand over all assets and all the relevant documents, together with information of bank accounts, to Baotou Aluminum within a reasonable timeframe after the Effective Date, are on normal commercial terms and are fair and reasonable.

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Arrangement for transitional period

The period between the Valuation Benchmark Date and Effective Date is the transitional period. During the transitional period, the profits and losses of both Baotou Aluminum and Inner Mongolia Huayun shall be borne or enjoyed by their respective original shareholders.

We are also of the opinion that the aforesaid transitional arrangement, which requires Baotou Aluminum and Inner Mongolia Huayun's respective original shareholders to bear and enjoy the profits and losses of these two companies during the transitional period before the Effective Date, is on normal commercial terms and is fair and reasonable.

3. POSSIBLE FINANCIAL EFFECT OF THE ABSORPTION AND MERGER

As at the Latest Practicable Date, Baotou Aluminum was a wholly-owned subsidiary of the Company, and Inner Mongolia Huayun was a non-wholly owned subsidiary of the Company, which was owned as to 50% by Baotou Aluminum and 50% by Chinalco. Upon completion of the Absorption and Merger, Baotou Aluminum will continue to subsist, Inner Mongolia Huayun will be cancelled according to law, and Baotou Aluminum will be held as to approximately 65.5759% and 34.4241% by the Company and Chinalco, respectively. Baotou Aluminum will therefore remain as a subsidiary of the Company and its financial results will continue to be consolidated into the Company's financial statements.

As confirmed by the Directors, since the transaction contemplated under the Absorption and Merger Agreement will not result in the loss of control over Baotou Aluminum by the Company, the deemed disposal contemplated thereunder will be accounted for as an equity transaction that will not result in the recognition of any profit or loss.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Absorption and Merger.

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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 Absorption and Merger Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Absorption and Merger is in the interests of the Company and the Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Group due to the nature of the Absorption and Merger. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Absorption and Merger Agreement and the Absorption and Merger and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 20 years of experience in corporate finance.

The following is the English translation of a summary of the Baotou Aluminum Asset Valuation Report and the Inner Mongolia Huayun Asset Valuation Report issued by GZL prepared for the purpose of incorporation in this supplemental circular. The Chinese text of the summary shall prevail over the English text in the event of inconsistency.

I. VALUATION PURPOSE

Baotou Aluminum Co., Ltd. (“**Baotou Aluminum**”) intended to absorb and merge with Inner Mongolia Huayun New Materials Co., Ltd. (“**Inner Mongolia Huayun**”), and this valuation is to provide value reference for entire shareholders’ equity of Inner Mongolia Huayun and Baotou Aluminum involved in the said economic activity. Such economic activity has been approved by Minutes of the General Manager’s Office Meeting of Aluminum Corporation of China No. 5, 2-1 (《中國鋁業集團有限公司總經理辦公會議紀要第5次2-1號》) and Aluminum Corporation of China Limited* in the “Reply on the Project Approval for the Proposed Absorption and Merger of Inner Mongolia Huayun by Baotou Aluminum” (Chalco Cai Zi Zi [2024] No. 653) (《關於包頭鋁業擬吸收合併內蒙古華雲立項事宜的批覆》(中鋁股份財資字[2024]653號)).

II. VALUATION TARGET AND SCOPE

(I) Valuation target

The valuation target is the value of entire shareholders’ equity of Baotou Aluminum and Inner Mongolia Huayun as at the valuation benchmark date (i.e. 31 December 2024).

(II) Valuation scope

The scope of the valuation covers the entire assets and liabilities of Inner Mongolia Huayun as at the valuation benchmark date (i.e. 31 December 2024), with total assets of RMB12,531.2314 million, total liabilities of RMB4,772.5053 million and owner’s equity of RMB7,758.7262 million. Ernst & Young Hua Ming LLP has audited the book value prior to valuation and issued an unqualified annual audit report “Ernst & Young Hua Ming (2025) Shen Zi No. 80016850_A01”; and the entire assets and liabilities of Baotou Aluminum as at 31 December 2024 declared for valuation, of which the book value of the total assets was RMB12,091.4201 million, the book value of the total liabilities was RMB4,066.5413 million, and the owner’s equity was RMB8,024.8788 million. Ernst & Young Hua Ming LLP has audited the book value prior to valuation and issued an unqualified audit report “Ernst & Young Hua Ming (2025) Zhuan Zi No. 80016849_A01”.

III. TYPE OF VALUE

Based on the purpose of the valuation, the specific situation of the valuation target, the collection of valuation data, and other related conditions, the appropriate type of value was selected, and the market value was ultimately selected as the type of value for the conclusion of this valuation report.

Market value means the estimated amount for which a valuation target should be traded on the valuation reference date between a willing buyer and a willing seller acting knowledgeably, prudently and without compulsion, in an arm's length transaction.

IV. VALUATION BENCHMARK DATE

The valuation benchmark date of this valuation is 31 December 2024.

V. BASIS OF VALUATION**(I) Basis of laws and regulations**

1. Asset Appraisal Law of the People's Republic of China (adopted at the Twenty-First Session of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. Company Law of the People's Republic of China (revised for the second time at the seventh meeting of the Standing Committee of the 14th National People's Congress on 29 December 2023);
3. Civil Code of the People's Republic of China (adopted at the third session of the 13th National People's Congress on 28 May 2020);
4. Law of the People's Republic of China on State-owned Assets in Enterprises (adopted at the fifth meeting of the Standing Committee of the 11th National People's Congress on 28 October 2008);
5. Securities Law of the People's Republic of China (revised for the second time at the fifteenth meeting of the Standing Committee of the 13th National People's Congress on 28 December 2019);
6. Enterprise Income Tax Law of the People's Republic of China (revised for the second time at the seventh meeting of the Standing Committee of the 13th National People's Congress on 29 December 2018);

7. Land Administration Law of the People's Republic of China (revised for the third time at the twelfth meeting of the Standing Committee of the 13th National People's Congress on 26 August 2019);
8. Urban Real Estate Administration Law of the People's Republic of China (revised for the third time at the twelfth meeting of the Standing Committee of the 13th National People's Congress on 26 August 2019);
9. Measures for the Administration of State-owned Assets Appraisal (Decree No. 91 of the State Council and revised on 29 November 2020);
10. Provisional Regulations for the Monitoring and Administration of State-owned Assets (Decree No. 378 of the State Council and revised for the second time on 2 March 2019);
11. Measures for Financial Supervision and Administration of the Assets Valuation Industry (Decree No. 86 of the Ministry of Finance);
12. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
13. Measures for the Supervision and Administration of the Trading of State-Owned Assets of Enterprises (Decree No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance);
14. Notice on the Detailed Rules for the Implementation of the Measures for Administration of Appraisal of State-owned Assets (Guo Zi Ban Fa [1992] No. 36);
15. Notice of Ministry of Finance Forwarded by General Office of the State Council on Opinions Concerning Reforming the Administration of State-Owned Assets Appraisal and Strengthening the Supervision and Administration of Assets Appraisal (Guo Ban Fa [2001] No. 102);
16. Provisions on Several Issues Concerning the Management of State-owned Asset Appraisal (Decree No. 14 of the Ministry of Finance);
17. Notice on Certain Issues regarding Strengthening State-owned Enterprise Asset Appraisal Administration Work" (Guo Zi Wei Chan Quan [2006] No. 274);

18. Notice on Matters Related to the Audit of Valuation Report on State-owned Assets of Enterprises (Guo Zi Chan Quan (2009) No. 941);
19. Guidelines for the Filing for Recordation of the Assessment Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64);
20. Notice on Matters Concerning the Circulation and Transactions of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan Gui [2022] No. 39);
21. Notice on Improvement of Asset Valuation Management of State-owned Enterprises (Guo Zi Fa Chan Quan Gui [2024] No. 8);
22. Accounting Standards for Business Enterprises – Basic Standards (Amended by Order No. 76 of the Ministry of Finance of the People’s Republic of China, the Decision of the Ministry of Finance on Amending the Accounting Standards for Business Enterprises – Basic Standards on 23 July 2014).
23. Interim Regulations of the People’s Republic of China on Value-added Taxes (Decree No. 134 of the State Council, revised for the second time on 19 November 2017);
24. Detailed Rules for the Implementation of the Interim Regulations of the People’s Republic of China on Value-Added Taxes (revised for the second time by the Decree No. 65 of the Ministry of Finance on 28 October 2011);
25. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 of 2019 of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs);
26. Notice on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36);
27. Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting the Value Added Tax Rate (Cai Shui [2018] No. 32);
28. Patent Law of the People’s Republic of China (revised for the fourth time at the 22nd meeting of the Standing Committee of the 13th National People’s Congress on October 17 2020);
29. Notice of the Ministry of Finance and the State Administration of Taxation on the Value-added Tax Policy for Wind Power Generation (Cai Shui [2015] No. 74);
30. Other laws and regulations.

(II) Basis of valuation criteria

1. Basic Standards for Asset Valuation (Cai Zi [2017] No. 43);
2. Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
3. Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
4. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
5. Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
6. Practice Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practice Guidelines for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
8. Practice Guidelines for Asset Valuation – Asset Valuation Approaches (Zhong Ping Xie [2019] No. 35);
9. Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
10. Practice Guidelines for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
11. Practice Guidelines for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
12. Practice Guidelines for Asset Valuation – Intellectual Property (Zhong Ping Xie [2023] No. 14);
13. Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);
14. Guidelines for Quality Control of Business of Asset Valuer (Zhong Ping Xie [2017] No. 46);

15. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
16. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
17. Guiding Opinions on Legal Ownership of Asset Valuation Target (Zhong Ping Xie [2017] No. 48);
18. Terms for Asset Valuation Standards 2020 (Zhong Ping Xie [2020] No. 31);
19. Asset Appraisal Expert Guideline No.8 – Check and Verification in Asset Valuation;
20. Guiding Opinions on Patent Asset Evaluation (Zhong Ping Xie [2017] No. 49);
21. Guidance on the Valuation of Trademark Assets (Zhong Ping Xie [2017] No. 51);
22. Asset Valuation Expert Guideline No.12 – Calculation of Discount Rates in Valuation of Enterprises by the Income Approach;
23. Other criteria and basis related to assets valuation.

(III) Basis of business activities

1. Minutes of the General Manager’s Office Meeting of Aluminum Corporation of China No. 5, 2-1
2. Reply on the Project Approval for the Proposed Absorption and Merger of Inner Mongolia Huayun by Baotou Aluminum (Chalco Cai Zi Zi [2024] No. 653).

(IV) Basis of Titles

1. Business license;
2. Real estate proprietorship certificate and property ownership certificate;
3. Vehicle travel license and registration certificate;
4. Invoices for major equipment procurement contract or purchase
5. Patent right certificates;
6. Other related property certificate information provided by the appraised entity.

(V) Basis of price determination

1. Common Data and Parameter Manual for Assets Valuation;
2. Valuation Criterion for Urban Land (GB/T18508-2014);
3. Regulations for Gradation and Classification on Urban Land (GB/T18507-2014);
4. Classification of Land Use Status (GB/T21010-2007);
5. Code for Real Estate Appraisal (GB/T50291-2015);
6. Criteria of Damage Rating of Houses issued by the former Ministry of Urban-Rural Development and Environmental Protection (1985);
7. Composition of Construction and Installation Cost ((Jian Biao [2013] No. 44) issued by the Ministry of Housing and Urban-Rural Development and the Ministry of Finance;
8. National standard Code of Bills of Quantities and Valuation for Construction Works* (《建设工程工程量清单计价规范》) (GB50500-2013);
9. Budget Quota for General Installation Project in Inner Mongolia (2017);
10. Budget Quota for Building Construction and Decoration Projects in Inner Mongolia (2017);

11. Methods for Preparation of Estimates of Construction Projects and Indexes for Estimates in the Machinery Industry;
12. Cost Information of Construction Projects in Baotou City;
13. Administrative Regulations on Construction Projects Supervision and Related Service Charge (Fa Gai Jia Ge [2007] No. 670);
14. Notice on the Issuance of the 2018 Edition of the Provisions for the Quota of Electricity Construction Projects and Calculation of Expenses by the National Energy Administration (National Energy Administration, Guo Neng Dian Li [2019] No. 81);
15. Regulations on Preparation and Calculation of Construction Budgets of Thermal Power Generation Projects (2018);
16. Budget Estimate Quota of Electricity Construction Projects (2018)
17. Quota Design and Reference Cost Index for Thermal Power Projects (2023);
18. Circular on the Adjustment of the Value-added Tax Rate for the Pricing Basis of Electricity Construction Projects by China Electricity Construction Management (Ding E [2019] No. 13);
19. Circular on the Price Level Adjustment Methods for Budget Estimate Quota of Electricity Construction Projects by China Electricity Construction Management (Ding E [2025] No. 1);
20. Preliminary Design Statement for Baotou Aluminum Coal-fired Captive Power Plant Renewable Energy Alternative to 1,200 MW New Energy Project in Darhan-Muminggan Joint County (China Electric Power Engineering Consulting Group Northwest Electric Power Design Institute Co., Ltd.* (中國電力工程顧問集團西北電力設計院有限公司), February 2024);
21. Benchmark interest rates on deposits and loans of banks as at the valuation benchmark date;
22. Survey records of the valuers;
23. Accounting reports, financial accounting and operation provided by the appraised entity, as well as relevant agreements, contracts, invoices and other financial information;

24. Statistical data, technical standard data, and price information released by relevant national departments, as well as relevant inquiry data and pricing parameter data collected by our company;
25. Other information related to this asset valuation.

VI. VALUATION APPROACHES

(I) Income approach

The income approach refers to a valuation method for determining the value of the valuation target by capitalizing or discounting the expected income. The specific methods commonly used in the income approach include the dividend discount method and the discounted cash flow method.

(II) Explanation of the principal parameter forecasts in the income approach for this valuation

i: Baotou Aluminum

(i) Selection of income model

Pursuant to related provisions of the state and international practices, we have observed the Practice Guidelines for Asset Valuation – Enterprise Value issued by the China Appraisal Society, and decided to employ the income approach and the cash flow discount (DCF) method to analyze and measure the value of entire shareholders' equity of the appraised entity.

Based on the due diligence of this valuation as well as the composition of the valuation target's assets and the characteristics of its main business, the basic idea of this valuation is to arrive at the business value of the appraised entity by summing up after discounting using an appropriate discount rate on the basis of cash flows of the company in the future limited period. After arriving at the business value of the appraised entity, the value of entire shareholders' equity is calculated by adding the value of other assets and subtracting the value of other liabilities.

The formula for calculating entire shareholders' equity is:

Entire shareholders' equity = enterprise value – interest-bearing liabilities

Enterprise value = value of operating assets + other assets – other liabilities

In the income model, the following matters are further explained in details:

1. The formula for calculating the business value of the appraised entity is as follows:

$$P = \sum_{t=1}^n \frac{FCFE_t}{(1+R)^t}$$

Where: P – Value of operating assets of the company

FCFE_t – Operating free cash flows of the company in the next t year(s)

R – Discount rate

t – Income forecast year

Free cash flows of the company in the forecast period = net profit after tax + depreciation and amortization + interest expense net of tax effect – capital expenditure – changes in working capital

2. Scope of other assets

In the income model, the scope of other assets includes surplus assets and nonoperating assets, and accordingly, the value of other assets is equal to the sum of surplus assets value and non-operating assets value.

(1) Surplus assets and non-operating assets

The assets of the appraised entity as at the valuation benchmark date are classified into two categories: operating and non-operating assets. Operating assets refer to the assets related to the appraised entity's operations, and are further classified into efficient assets and inefficient assets. The efficient assets refer to assets that are being used or will be used for the entity's operation; inefficient assets are also named surplus assets, referring to assets that are held for operating purpose, but are not used at the valuation reference date or will not be used in the foreseeable future. Surplus assets and non-operating assets are defined as follows:

Surplus assets refer to superfluous assets that are held for operational purpose, but have no direct link to the income of the company and exceed the required amount for the operation of the company in a specific period of time. We analyzed the appraised entity's asset allocation and profitability status, as well as its operational status to determine whether the appraised entity has surplus assets.

Non-operating assets refer to assets that are held by the company for non-operating purpose, and have no direct relationship with production and operating activities of the company, such as the properties and vehicles not in production and operation, short-term equity and bond investments concerning industrial and manufacturing companies, and transaction amounts with related companies irrelevant to the principal business of the company.

The valuation of other assets is based on asset characteristics and is determined using different valuation approaches.

(2) Scope of other liabilities

In the income model, the scope of other liabilities includes surplus liabilities, nonoperating liabilities, etc., and accordingly, the value of other liabilities is equal to the sum of the value of the surplus liabilities and the non-operating liabilities.

(3) Calculation of the value of entire shareholders' equity

The formula for calculating the value of entire shareholders' equity is:

Value of entire shareholders' equity = enterprise value – interest-bearing liabilities

Enterprise value = value of operating assets + value of surplus and non-operating assets (including long-term investment value) – value of non-operating liabilities

(ii) *Determination of Income Period*

As there is no clear evidence as at the valuation benchmark date that the appraised entity will be terminated at some point in the future, we have determined that the appraised entity's income period is indefinite.

On the basis of determining the income period of the appraised entity to be an indefinite period, and taking into account the cyclicity of the industry in which company operates, the operating cycle of the company as at the valuation benchmark date, and the extent of future income realization of the appraised entity, we finally determined that: the forecast period for the appraised entity using the income approach is from January 2025 to the end of 2029, with a perpetuity period of operation after 2030.

(iii) Determination of future income

Baotou Aluminum is a wholly-owned subsidiary of Aluminum Corporation of China Limited*, which owns three electrolytic aluminum production lines with a total capacity of 550,000 tons, including 300,000 tons/year for 400kA, 150,000 tons/year for 240kA, and 100,000 tons/year for 200kA; three high-purity aluminum production areas with a capacity of 60,000 tons; one carbon production line with a capacity of 120,000 tons; two 330,000 kW self-contained units; and a high quality, green and low-carbon aluminum alloy transformation project with a capacity of 60,000 tons. In the first half of 2025, the company expects to set up a new energy branch, which will soon complete and put into operation 1,200 MW wind and photovoltaic generating units, and will also cooperate to build and consume 900,000 kW of wind power projects in Baotou Comprehensive Renewable Energy Demonstration Zone; besides, it will also complete a 200,000-ton high-quality deformed aluminum alloy and recycled aluminum recycling project.

Taking into account the actual situation of the company and the rationality of the income forecast, we determine that the subject of income of the appraised entity during the income period is the appraised entity and that the basis of income amount is the free cash flows of the company in the forecast period and perpetuity period.

(iv) Determination of principal parameters

1. Revenue

The principal business products of the appraised entity include primary aluminum liquids, aluminum ingots for remelting, high-purity aluminum, anode roasted blocks, and general aluminum, while other businesses include revenues from scraps, the provision of electricity, gas, heat and water, leasing, and others, and the revenues of the appraised entity have shown a fluctuating upward trend in the historical years.

The appraised entity's business structure will undergo significant changes from 2025 onwards due to the shutdown of certain electrolytic aluminum production lines and the construction of new energy power plants and aluminum alloy production lines. In this valuation, the management of the appraised entity has made a revenue forecast for 2025 and subsequent years based on its production plan and market research, with product revenue calculated on the basis of sales volume and unit price:

Sales volume: In this valuation, for the sales volume of products in subsequent years, the factors of the reduction in production of electrolytic aluminum and the increase in capacity of aluminum alloy are considered.

The management of Baotou Aluminum has projected the sales volumes of various products for the upcoming years based on its production plans and market research. The total production capacity for primary aluminum liquids and aluminum ingots for remelting is 300,000 tons; the expected capacity for high-purity aluminum is 72,600 tons; the production capacity for aluminum alloy ingots is expected to increase to 320,000 tons annually starting in 2026, as production lines are currently being expanded; the projected capacity for anode roasted blocks is 135,000 tons. The sales volume data is as follows:

Product sales volume	Unit	2025	2026	2027 and onwards
Primary aluminum liquids	10,000 tons	28.32	28.32	28.32
Aluminum ingots for remelting	10,000 tons	1.68	1.68	1.68
High-purity aluminum	10,000 tons	7.26	7.26	7.26
Aluminum alloy ingots	10,000 tons	22.00	32.00	32.00
Anode roasted blocks	10,000 tons	13.50	13.50	13.50

Unit selling price: The appraised entity adopts the principles of the market price of aluminum base and granting a certain margin of preference for sales pricing. The forecast unit selling price of aluminum liquids in 2025 is based on the company's estimated aluminum base price of RMB19,600 per ton in 2025, taking into account a discount of RMB100 per ton, with a final price of RMB19,500 per ton; the forecast unit selling price of aluminum liquids in 2026 is based on the company's estimated aluminum base price of RMB19,820 per ton in 2026, taking into account a discount of RMB200 per ton, with a final price of RMB19,620 per ton to be maintained for forecasting in subsequent years. The forecast unit selling price of aluminum ingots is based on the annual unit selling price of aluminum liquids, taking into account the freight deduction due to the long distance of aluminum ingots for sales. For high-purity aluminum, aluminum alloys and carbon, unit prices are calculated at the level of business forecast.

The growth rate of unit sales price of each of the Baotou Aluminum's products is as follows:

Product name	2025	2026	2027 and onwards
Primary aluminum liquids	-0.76%	0.62%	0.00%
Aluminum ingots for remelting	-0.39%	0.62%	0.00%
High-purity aluminum	-3.27%	0.00%	0.00%
Aluminum alloy ingots	-0.20%	0.59%	0.00%
Anode roasted blocks	4.06%	0.00%	0.00%

Forecast of revenues from other businesses: As for revenue from scraps, the forecast is based on the level in 2024, taking into account the proportion of capacity reduction during the forecast period; as for revenues from the provision of electricity, gas, heat and water, and others, the forecast is based on the level in 2024; as the company is expected to complete the construction of a new energy power plant in 2025, which will generate revenue from the sale of electricity, the calculation of new energy power in this valuation is based on the new energy power plant's estimated sales volume and electricity price; after the shutdown of the company's electrolysis plants III and IV, the production capacity indicators will be transferred to its subsidiaries, with a one-off revenue from the transfer of production indicators to be generated in 2025; as right-of-use assets are considered as non-operating assets in this valuation, revenue from leasing is no longer calculated; and other revenues are calculated on the basis of the average level from 2022 to 2024.

In summary, the Baotou Aluminum's operating revenue growth rate in 2025 is 12.09%, primarily driven by the transfer of electrolytic aluminum production capacity. The revenue growth rate in 2026 is expected to be 4.55%, mainly due to an increase in aluminum alloy production and a rise in the unit price of certain primary aluminum products. The growth rate for 2027 and subsequent years is expected to be 0.

2. Costs

The principal business costs of the appraised entity include labor costs, depreciation and amortization, materials expenses, and others. In this valuation, due to the shutdown of certain production lines, there will be a significant decrease in labor costs of the company in 2025, while due to the completion of the new production line, there will be a slight increase in labor costs in 2026, which will remain stable in subsequent years; depreciation and amortization are calculated in accordance with the company's scale of assets in use and accounting depreciation and amortization provision standards, among which depreciation of the assets related to the power stations, power plants, and electrolytic tanks has been included in materials expenses and other costs, which is not double-counted in this valuation; raw materials, electricity charges, and other costs are calculated based on the company's estimated cost level.

Other business costs of the appraised entity include scraps disposal cost, electricity, gas, heat and water cost, new energy power cost, lease depreciation cost and other costs. In this valuation, the scraps disposal cost, electricity, gas, heat and water costs, and other costs are calculated using the rates of other business costs in 2024; the new energy power cost is calculated with reference to the unit cost estimated in the scientific research report; and the lease depreciation cost is no longer estimated as its related revenue is no longer estimated.

3. Net profit and profit margins

The net profit for the forecast period and perpetuity period is calculated by deducting relevant costs, taxes and surcharges, selling expenses, administrative expenses, financial expenses, and other period expenses from the forecasted revenue, and then applying the statutory income tax rate applicable to the enterprise. The net profit margin=net profit/operating revenue. The profit levels and profit margins for the forecast period and perpetuity period are shown in the table below:

Item	Operating revenue (RMB0'000)	Operating cost (RMB0'000)	Gross profit margin	Net profit (RMB0'000)	Net profit margin
2025	1,323,203.29	1,029,069.08	22.23%	199,052.46	15.04%
2026	1,383,409.64	1,209,824.85	12.55%	98,049.23	7.09%
2027	1,383,409.64	1,209,026.72	12.61%	97,696.15	7.06%
2028	1,383,409.64	1,208,235.36	12.66%	90,308.24	6.53%
2029	1,383,409.64	1,208,235.36	12.66%	90,308.24	6.53%
Stabilization year	1,383,409.64	1,195,595.08	13.58%	100,351.97	7.25%

4. Capital expenditures

Capital expenditures refer to the capital expenditures that the entity needs for ensuring the normal development of production and operation each year. Capital expenditures mainly comprise the normal renewal expenditure of existing assets and the capital expenditures of incremental assets.

Existing assets: The existing assets of the company as at the valuation benchmark date mainly comprise fixed assets and intangible assets. As it is assumed that the company operates as a going concern, the renewed expenditure for incremental assets shall also be considered after acquisition. In this valuation, the renewed expenditure for the existing assets in the forecast period is calculated based on the remaining economic life and replacement cost; for the renewed expenditure for the existing assets in the perpetuity period, the original appraised value of the operating assets is annuitized based on the economic life of the appraised entity's assets, serviced life and discount rate to calculate the capital expenditure of the appraised entity for both the forecast period and perpetuity period. The formula for calculating the capital expenditure annuity is as follows:

$$A = \frac{C \times R}{1 - (1 + R)^{-n}} \div (1 + R)^m$$

Where: A – Capital expenditure annuity;

C – Amount of expenditure on fixed assets;

R – Discount rate;

n – Economic life of fixed assets;

m – Remaining life of fixed assets.

Total capital expenditures calculated under the annuity method were ultimately recognized as RMB198,445,145.00.

Incremental assets: We understood from the appraised entity that the company has invested in the construction of a new energy power plant and aluminum alloy related production lines in 2024 to meet its needs of production and operation, which are expected to be completed and put into operation in 2025, and the capital expenditure for the continued construction of such portion of assets is determined in accordance with the investment plan for fixed assets provided by the appraised entity. The capital expenditure for the incremental assets in 2025 is estimated to be RMB2,806,645,227.95.

5. Discount rate

On the basis of estimating the corporate free cash flows of the appraised entity in the forecast period, we calculated the weighted average cost of capital (WACC) consistent with its basis, and the specific calculation formula is as follows:

$$WACC = Re \frac{E}{D + E} + Rd(1 - T) \frac{D}{D + E}$$

Where: WACC – Weighted average cost of capital;

Re – Cost of equity capital;

Rd – Cost of interest-bearing liability capital;

D – Value of interest-bearing liabilities;

E – Value of equity;

T – Income tax rate of the appraised entity.

The calculation of weighted average cost of capital requires the determination of the following indicators: cost of equity capital, cost of interest-bearing liability capital and the ratio of interest-bearing liabilities to the value of equity.

(1) Calculation of cost of equity capital (R_e)

The cost of equity capital is determined using the capital asset pricing model (CAPM).

That is: $R_e = R_F + \beta (R_M - R_F) + \Delta$

Where: R_e – cost of equity capital;

R_F – risk-free rate of return;

$R_M - R_F$ – market risk premium;

β – Beta coefficient;

Δ – enterprise-specific risk.

(2) Risk-free rate of return (R_F)

The risk-free rate of return refers to the lowest rate of return that investors should obtain under the current market conditions. In China, treasury bonds are a relatively safe investment, and the interest rate on treasury bonds can be regarded as the safest and lowest rate of return, i.e., the risk-free rate of return, among the investment options. In this valuation, the valuers determined the risk-free rate of return as 3.49% by using the yields to maturity (compounded) of all treasury bonds with a remaining maturity of 10 years or more from the valuation benchmark date using data sourced from Wind Information.

(3) China market risk premium $R_M - R_F$

The China securities market index was used to calculate the market risk premium, which is expressed by the following formula:

China market risk premium = average risk premium of China stock market – China risk-free interest rate

Where: the average rate of return of China stock market is calculated based on the monthly data of CSI 300 Index, on the basis of which the monthly yield was calculated and then annualized, with a time span from 31 December 2004 to 31 December 2023. The data is from Wind Information and is calculated using geometric average methodology. The China risk-free rate of return is represented by the yield to maturity (compounded) of all of the above treasury bonds with a remaining maturity of 10 years or more from the Valuation Base Date.

The China market risk premium is calculated as 6.19%.

(4) Calculation of β

The risk factor (Beta: β) refers to an assessment tool of systematic risk of a security to measure the volatility of a security or a portfolio of investment securities relative to the overall market, and is usually used to reflect the sensitivity of an individual share to changes in the market. The calculation of the β coefficient usually involves three indicators: the statistical period, the statistical interval and the relative index. For this calculation of β coefficient, 60 months prior to the Valuation Base Date is used as the statistical period, the statistical interval is in months, and the relative index is CSI 300 Index. The unlevered β coefficients of comparable companies are selected for the β coefficient. The calculation process is as follows:

Stock name	601600.SH	000612.SZ	600219.SH	002532.SZ	000807.SZ
Stock code	Chalco	Jiaozuo Wanfang	Nanshan Aluminum	Tianshan Aluminum	Yunnan Aluminum
Underlying index	CSI 300				
Calculation period	Month				
Timeframe	1 January 2020 to 31 December 2024				
Rate of return calculation method	General rate of return				
Excluding financial leverage (D/E)	Based on market value ratio				
D/E	66.7281	14.8042	16.9045	56.5823	9.5272
Raw beta	1.1908	1.1927	0.93	1.0469	1.4322

Weighted adjusted Beta	1.1279	1.1291	0.9531	1.0314	1.2895
Weighted raw Beta excluding financial leverage	0.7615	1.0845	0.8351	0.7067	1.3269
Weighted adjusted Beta excluding financial leverage	0.7212	1.0266	0.8558	0.6963	1.1948
Arithmetic average	0.8989				

Based on the data sourced from Wind Information, we arrived at the unlevered financial β coefficient = 0.8989.

(5) Adjustment for enterprise-specific risks

After a comprehensive analysis, the enterprise-specific risk adjustment factor Δ for the appraised entity is set at 1%, which is as follows:

No.	Item	Explanation	Value (%)
1	Size	The company is a medium-sized enterprise	0.20%
2	Stage of operation	The company is in the operation stage	0.10%
3	History of operation	The company has been established for a long time	0.10%
4	Financial risk	The company has no shareholders' loans	0.10%
5	Business market continuity	The continuity of business markets is good	0.20%
6	Internal management and control mechanisms	The company's internal management and control mechanism is relatively comprehensive	0.20%
7	Experience and qualifications of management personnel	The management personnel of the company have extensive experience	0.10%
Total		1.00%	

(6) Determination of discount rate

The determination of the abovementioned indicators led to the calculation of the WACC, the results of which are shown in the table below:

No.	Name	Value
1	Risk-free rate of return	3.49%
2	Market risk premium	6.19%
3	Beta without financial leverage	0.8989
4	Beta with financial leverage	1.1504
5	D/E	0.3291
6	T	15.00%
7	Enterprise-specific risk	1.0%
8	Cost of equity capital	11.61%
9	Cost of liability capital	3.60%
10	Weighted cost of capital	9.49%

6. Sensitivity analysis

In the income approach valuation model, both gross profit margin and discount rate have a greater impact on the income approach valuation results, therefore, a sensitivity analysis was conducted for both gross profit margin and discount rate, with the results as follows:

(1) Sensitivity analysis of gross profit margin changes

Using the current forecasted gross profit margins for future periods as the baseline, and assuming that the forecasted operating revenue remains unchanged, the sensitivity analysis of gross profit margin changes on the valuation under the income approach is as follows (assuming consistent percentage changes in gross profit margin across periods):

Gross profit margin changes	Appraised value (RMB0'000)	Changes in appraised value (RMB0'000)	Rate of change in appraised value	Change in appraised value per 0.5% change in gross profit margins (RMB0'000)	Rate of change in appraised value per 0.5% change in gross profit margins
-1.50%	2,040,437.60	-196,612.42	-8.79%		
-1.00%	2,105,975.07	-131,074.94	-5.86%	65,537.47	2.93%
-0.50%	2,171,512.54	-65,537.47	-2.93%	65,537.47	2.93%
0.00%	2,237,050.02	-	0%	65,537.47	2.93%
0.50%	2,302,587.49	65,537.47	2.93%	65,537.47	2.93%
1.00%	2,368,124.96	131,074.94	5.86%	65,537.47	2.93%
1.50%	2,433,662.43	196,612.42	8.79%	65,537.47	2.93%
Average change		65,537.47			
Average rate of change		2.93%			

From the table, it can be seen that, with the assumption that future forecasted operating revenues remain unchanged, a 0.5% increase or decrease in gross profit margin affects the appraised value by approximately RMB65,374,700, representing a change rate of appraised value of approximately 2.93%.

(2) Sensitivity analysis of discount rate changes

Using the current discount rates for future periods as the baseline, and assuming other parameters in the income approach valuation model remain unchanged, the sensitivity analysis of discount rate changes on the appraised value under income approach is as follows:

Discount rate changes	Appraised value (RMB0'000)	Changes in appraised value (RMB0'000)	Rate of change in appraised value	Change in appraised value per 0.5% change in discount rate (RMB0'000)	Rate of change in appraised value per 0.5% change in discount rate
-1.50%	2,417,118.96	180,068.94	8.05%		
-1.00%	2,350,397.15	113,347.13	5.07%	66,721.81	2.98%
-0.50%	2,290,742.49	53,692.48	2.40%	59,654.66	2.67%
0.00%	2,237,050.02	–	0%	53,692.48	2.40%
0.50%	2,188,436.62	-48,613.40	-2.17%	48,613.40	2.17%
1.00%	2,144,187.12	-92,862.90	-4.15%	44,249.50	1.98%
1.50%	2,103,717.07	-133,332.95	-5.96%	40,470.05	1.81%
Average change		52,233.65			
Average rate of change		2.33%			

From the table, it can be observed that, with other parameters in the income approach valuation model held constant, a 0.5% increase or decrease in the discount rate affects the appraised value by approximately RMB522,336,500, representing a change rate of appraised value of approximately 2.33%.

ii. Inner Mongolia Huayun

(i) Selection of income model

Pursuant to related provisions of the state and international practices, we have observed the Practice Guidelines for Asset Valuation – Enterprise Value issued by the China Appraisal Society, and decided to employ the income approach and the cash flow discount (DCF) method to analyze and measure the value of entire shareholders' equity of the appraised entity.

Based on the due diligence of this valuation as well as the composition of the valuation target's assets and the characteristics of its main business, the basic idea of this valuation is to arrive at the business value of the appraised entity by summing up after discounting using an appropriate discount rate on the basis of cash flows of the company in the future limited period. After arriving at the business value of the appraised entity, the value of entire shareholders' equity is calculated by adding the value of other assets and subtracting the value of other liabilities.

In the income model, the following matters are further explained in details:

1. Free cash flows of the company in the forecast period = net profit after tax + depreciation and amortization + interest expense net of tax effect – capital expenditure – changes in working capital
2. Calculation of the business value of the appraised entity

The business value of the appraised entity refers to the value of the operating assets of the company.

The formula for calculating the business value of the appraised entity is as follows:

$$P = \sum_{t=1}^n \frac{FCFE_t}{(1+R)^t}$$

Where: P – Value of operating assets of the company

FCFE_t – Operating free cash flows of the company in the next t year(s)

R – Discount rate

t – Income forecast year

3. Scope of other assets

In the income model, the scope of other assets includes surplus assets and nonoperating assets, and accordingly, the value of other assets is equal to the sum of surplus assets value and non-operating assets value.

(1) Surplus assets and non-operating assets

The assets of the appraised entity as at the valuation benchmark date are classified into two categories: operating and non-operating assets. Operating assets refer to the assets related to the appraised entity's operations, and are further classified into efficient assets and inefficient assets. The efficient assets refer to assets that are being used or will be used for the entity's operation; inefficient assets are also named surplus assets, referring to assets that are held for operating purpose, but are not used at the valuation reference date or will not be used in the foreseeable future. Surplus assets and non-operating assets are defined as follows:

Surplus assets refer to superfluous assets that are held for operational purpose, but have no direct link to the income of the company and exceed the required amount for the operation of the company in a specific period of time. We analyzed the appraised entity's asset allocation and profitability status, as well as its operational status to determine whether the appraised entity has surplus assets.

Non-operating assets refer to assets that are held by the company for non-operating purpose, and have no direct relationship with production and operating activities of the company, such as the properties and vehicles not in production and operation, short-term equity and bond investments concerning industrial and manufacturing companies, and transaction amounts with related companies irrelevant to the principal business of the company.

The valuation of other assets is based on asset characteristics and is determined using different valuation approaches.

(2) Scope of other liabilities

In the income model, the scope of other liabilities includes surplus liabilities, nonoperating liabilities, etc., and accordingly, the value of other liabilities is equal to the sum of the value of the surplus liabilities and the non-operating liabilities.

(3) Calculation of the value of entire shareholders' equity

The formula for calculating the value of entire shareholders' equity is:

Value of entire shareholders' equity = enterprise value – interest-bearing liabilities

Enterprise value = value of operating assets + value of surplus and non-operating assets (including long-term investment value) – value of non-operating liabilities

(ii) *Determination of Income Period*

As there is no clear evidence as at the valuation benchmark date that the appraised entity will be terminated at some point in the future, we have determined that the appraised entity's income period is indefinite.

On the basis of determining the income period of the appraised entity to be an indefinite period, and taking into account the cyclicity of the industry in which company operates, the operating cycle of the company as at the valuation benchmark date, and the extent of future income realization of the appraised entity, we finally determined that: the forecast period for the appraised entity using the income approach is from 2025 to 2032, with a perpetuity period of operation after 2032.

(iii) Determination of future income

Inner Mongolia Huayun was established in April 2015, by a 5:5 joint venture between Baotou Aluminum and Baotou Transportation Investment Group Co., Ltd. In August 2022, Baotou Transportation Investment Group Co., Ltd. transferred its 50% equity interest to Aluminum Corporation of China. There are two electrolytic aluminum production lines with a total capacity of 750,000 tons, including 464,000 tons/year for 500kA and 280,000 tons/year for 400kA, and three 350,000 kW self-contained units.

Upon the approval under the document of Aluminum Corporation of China Limited* entitled “Approval of Preliminary Design and Commencement of Construction of Inner Mongolia Huayun Phase III 420,000-ton Light Alloy Material Project” (Chalco Ke Fa Zi [2023] No. 123) (《關於內蒙古華雲三期42萬噸輕合金材料項目初步設計及開工的批覆》(中鋁股份科發字[2023]123號)), Inner Mongolia Huayun commenced the construction of the Huayun Phase III project in April 2023. The project has a construction scale of an annual output of 420,000 tons of electrolytic aluminum from primary aluminum, equipped with one 600kA electrolytic series and installed with 260 electrolytic tanks, with all the products being aluminum liquids, which are mainly supplied to the Baotou Aluminum Industrial Park.

Taking into account the actual situation of the company and the rationality of the income forecast, we determine that the subject of income of the appraised entity during the income period is the appraised entity and that the basis of income amount is the free cash flows of the company in the forecast period and perpetuity period.

(iv) Determination of principal parameters

1. Revenue

The appraised entity mainly produces aluminum ingots and aluminum liquids, and its other businesses mainly consist of revenue from scraps, the provision of electricity, gas, heat and water, and others.

Inner Mongolia Huayun has a fluctuating upward trend in the total revenue for the historical years 2021-2024. The appraised entity's business structure will undergo significant changes from 2025 onwards due to the newly-built Huayun Phase III production line and the fact that it is no longer engaged in alloy series, refined aluminum liquids, trading aluminum ingots, etc. The management of Inner Mongolia Huayun has made a sales forecasts for 2025 and subsequent years based on its sales plan and market research. Revenues from aluminum ingots and aluminum liquids are forecasted on the basis of sales volume x unit price, while other businesses are calculated based on historical operations, and the specific forecasting process is as follows:

Sales volume: In this valuation, the sales volume of aluminum ingots and aluminum liquids in 2025 is forecasted based on the existing capacity of the appraised entity and the expected increase in capacity of Huayun Phase III, and will be maintained at the same level in subsequent years; as for the alloy series, refined aluminum liquids and trading ingots, since the company expects to be no longer engaged in such businesses in subsequent years, no further forecasts will be made.

Inner Mongolia Huayun currently operates two electrolytic aluminum production lines with annual production capacity of 464,000 tons and 280,000 tons, respectively. By the end of 2024, a new project (Huayun Phase III) was completed, with a construction scale of 420,000 tons of electrolytic aluminum per year, bringing the total electrolytic aluminum capacity to 1,164,000 tons per year. Based on its sales plans and market research, the management of Inner Mongolia Huayun forecasts that the annual sales volumes of aluminum liquid and aluminum ingot in 2025 and subsequent years will be 982,000 tons and 178,000 tons, respectively, aligning with its production scale.

Unit selling price: The appraised entity adopts the principles of the market price of aluminum base and granting a certain margin of preference for sales pricing. The forecast unit selling price of aluminum liquids in 2025 is based on the company's estimated aluminum base price of RMB19,600 per ton in 2025, taking into account a discount of RMB100 per ton, with a final price of RMB19,500 per ton; the forecast unit selling price of aluminum liquids in 2026 is based on the company's estimated aluminum base price of RMB19,820 per ton in 2026, taking into account a discount of RMB200 per ton, with a final price of RMB19,620 per ton to be maintained for forecasting in subsequent years. In this valuation, the forecast unit selling price of aluminum ingots is based on the annual unit selling price of aluminum liquids, taking into account the freight deduction of RMB100/ton due to the long distance of aluminum ingots for sales.

Inner Mongolia Huayun's operating revenue growth rate is 40.29% in 2025, 0.61% in 2026, and 0 in 2027 and subsequent years. The growth rate of unit sales price of each of Inner Mongolia Huayun's products is as follows:

Product name	2025	2026	2027 and onwards
Aluminum ingot	-0.99%	0.62%	0.00%
Aluminum liquid	-1.00%	0.62%	0.00%

Forecast of revenues from other businesses: Since one piece of machinery equipment leased out in the historical years will no longer be leased out from 2025 onwards, there will be no rental revenue from such portion in subsequent years; as for revenue from scraps, the forecast is based on the level in 2024, taking into account the proportion of capacity growth during the forecast period; as for revenue from the provision of electricity, gas, heat and water, and others, the forecast is based on the level in 2024.

2. Costs

The principal business costs of the appraised entity include raw materials, labor costs, depreciation costs, amortization costs, electricity charges, and others. In this valuation, due to the newly-built Huayun Phase III production line, there will be a significant increase in labor costs of the company in 2025, while due to the initial period of adjustment, it is expected to be a slight increase in labor costs of the company in 2026, which will remain stable in subsequent years; depreciation and amortization are forecasted in accordance with the company's original value of fixed assets, original value of intangible assets, and accounting depreciation provision standards; raw materials, electricity charges, and other costs are forecasted based on the company's estimated levels in subsequent years.

Other business costs of the appraised entity are forecasted based on the average proportion of other business costs to the corresponding revenues from other businesses in 2024.

3. Net profit and profit margins

The net profit for the forecast period and perpetuity period is calculated by deducting relevant costs, taxes and surcharges, selling expenses, administrative expenses, financial expenses, and other period expenses from the forecasted revenue, and then applying the statutory income tax rate applicable to the enterprise. The net profit margin=net profit/operating revenue. The profit levels and profit margins for the forecast period and perpetuity period are shown in the table below:

Item	Operating revenue (RMB0'000)	Operating cost (RMB0'000)	Gross profit margin	Net profit (RMB0'000)	Net profit margin
2025	2,022,113.99	1,724,636.23	14.71%	215,755.45	10.67%
2026	2,034,432.20	1,744,153.86	14.27%	208,347.12	10.24%
2027	2,034,432.20	1,744,650.94	14.24%	207,905.59	10.22%
2028	2,034,432.20	1,744,085.30	14.27%	208,379.30	10.24%
2029	2,034,432.20	1,743,114.64	14.32%	209,209.51	10.28%
2030	2,034,432.20	1,740,859.48	14.43%	211,176.40	10.38%
2031	2,034,432.20	1,737,499.09	14.60%	188,891.20	9.28%
2032	2,034,432.20	1,737,499.09	14.60%	188,891.20	9.28%
Stabilization year	2,034,432.20	1,692,011.45	16.83%	223,091.00	10.97%

4. Capital expenditures

Capital expenditures refer to the capital expenditures that the entity needs for ensuring the normal development of production and operation each year. Capital expenditures mainly comprise the normal renewal expenditure of existing assets and the capital expenditures of incremental assets.

Existing assets: The existing assets of the company as at the valuation benchmark date mainly comprise fixed assets and intangible assets. As it is assumed that the company operates as a going concern, the renewed expenditure for incremental assets shall also be considered after acquisition. In this valuation, the renewed expenditure for the existing assets in the forecast period is calculated based on the remaining economic life and replacement cost; for the renewed expenditure for the existing assets in the perpetuity period, the original appraised value of the operating assets is annuitized based on the economic life of the appraised entity's assets, serviced life and discount rate to calculate the capital expenditure of the appraised entity for both the forecast period and perpetuity period. The formula for calculating the capital expenditure annuity is as follows:

$$A = \frac{C \times R}{1 - (1 + R)^{-n}} \div (1 + R)^m$$

Where: A – Capital expenditure annuity;

C – Amount of expenditure on fixed assets;

R – Discount rate;

n – Economic life of fixed assets;

m – Remaining life of fixed assets.

Total capital expenditures calculated under the annuity method were ultimately recognized as RMB298,740,751.00.

Incremental assets: We understood from the appraised entity that the company has invested in the construction of Huayun Phase III production line in 2023 to meet its needs of production and operation, with the main works transferred into fixed assets in June and December 2024, respectively, which has been completed and put into operation in 2024; three reformations of the coal-fired self-contained unit, phase II and phase III of the smart factory, and other renovation projects are expected to be completed in 2025-2026. The capital expenditure for the continued construction of the abovementioned assets is determined in accordance with the investment plan for fixed assets provided by the appraised entity. The capital expenditure for the incremental assets in 2025 is estimated to be RMB1,697,102,754.25 in 2025 and RMB29,724,770.64 in 2026.

5. Discount rate

On the basis of estimating the corporate free cash flows of the appraised entity in the forecast period, we calculated the weighted average cost of capital (WACC) consistent with its basis, and the specific calculation formula is as follows:

$$WACC = Re \frac{E}{D + E} + Rd(1 - T) \frac{D}{D + E}$$

Where: WACC – Weighted average cost of capital;

Re – Cost of equity capital;

Rd – Cost of interest-bearing liability capital;

D – Value of interest-bearing liabilities;

E – Value of equity;

T – Income tax rate of the appraised entity.

The calculation of weighted average cost of capital requires the determination of the following indicators: cost of equity capital, cost of interest-bearing liability capital and the ratio of interest-bearing liabilities to the value of equity.

(1) Calculation of cost of equity capital (R_e)

The cost of equity capital is determined using the capital asset pricing model (CAPM).

That is: $R_e = R_F + \beta (R_M - R_F) + \Delta$

Where: R_e – cost of equity capital;

R_F – risk-free rate of return;

$R_M - R_F$ – market risk premium;

β – Beta coefficient;

Δ – enterprise-specific risk.

(2) Risk-free rate of return (R_F)

The risk-free rate of return refers to the lowest rate of return that investors should obtain under the current market conditions. In China, treasury bonds are a relatively safe investment, and the interest rate on treasury bonds can be regarded as the safest and lowest rate of return, i.e., the risk-free rate of return, among the investment options. In this valuation, the valuers determined the risk-free rate of return as 3.49% by using the yields to maturity (compounded) of all treasury bonds with a remaining maturity of 10 years or more from the valuation benchmark date using data sourced from Wind Information.

(3) China market risk premium $R_M - R_F$

The China securities market index was used to calculate the market risk premium, which is expressed by the following formula:

China market risk premium = average risk premium of China stock market – China risk-free interest rate

Where: the average rate of return of China stock market is calculated based on the monthly data of CSI 300 Index, on the basis of which the monthly yield was calculated and then annualized, with a time span from 31 December 2004 to 31 December 2023. The data is from Wind Information and is calculated using geometric average methodology. The China risk-free rate of return is represented by the yield to maturity (compounded) of all of the above treasury bonds with a remaining maturity of 10 years or more from the Valuation Base Date.

The China market risk premium is calculated as 6.19%.

(4) Calculation of β

The risk factor (Beta: β) refers to an assessment tool of systematic risk of a security to measure the volatility of a security or a portfolio of investment securities relative to the overall market, and is usually used to reflect the sensitivity of an individual share to changes in the market. The calculation of the β coefficient usually involves three indicators: the statistical period, the statistical interval and the relative index. For this calculation of β coefficient, 60 months prior to the Valuation Base Date is used as the statistical period, the statistical interval is in months, and the relative index is CSI 300 Index. The unlevered β coefficients of comparable companies are selected for the β coefficient. The calculation process is as follows:

Stock name	601600.SH	000612.SZ	600219.SH	002532.SZ	000807.SZ
Stock code	Chalco	Jiaozuo Wanfang	Nanshan Aluminum	Tianshan Aluminum	Yunnan Aluminum
Underlying index	CSI 300				
Calculation period	Month				
Timeframe	1 January 2020 to 31 December 2024				
Rate of return calculation method	General rate of return				
Excluding financial leverage (D/E)	Based on market value ratio				
D/E	66.7281	14.8042	16.9045	56.5823	9.5272

Raw beta	1.1908	1.1927	0.93	1.0469	1.4322
Weighted adjusted Beta	1.1279	1.1291	0.9531	1.0314	1.2895
Weighted raw Beta excluding financial leverage	0.7615	1.0845	0.8351	0.7067	1.3269
Weighted adjusted Beta excluding financial leverage	0.7212	1.0266	0.8558	0.6963	1.1948
Arithmetic average	0.8989				

Based on the data sourced from Wind Information, we arrived at the unlevered financial β coefficient = 0.8989.

(5) Adjustment for enterprise-specific risks

After a comprehensive analysis, the enterprise-specific risk adjustment factor Δ for the appraised entity is set at 1%, which is as follows:

No.	Item	Explanation	Value (%)
1	Size	The company is a medium-sized enterprise	0.20%
2	Stage of operation	The company is in the operation stage	0.10%
3	History of operation	The company has been established for a long time	0.10%
4	Financial risk	The company has no shareholders' loans	0.10%
5	Business market continuity	The continuity of business markets is good	0.20%
6	Internal management and control mechanisms	The company's internal management and control mechanism is relatively comprehensive	0.20%
7	Experience and qualifications of management personnel	The management personnel of the company have extensive experience	0.10%
Total		1.00%	

(6) Determination of discount rate

The determination of the abovementioned indicators led to the calculation of the WACC, the results of which are shown in the table below:

Item/year	2025-2030	2031 and subsequent years
Risk-free rate of return	3.49%	3.49%
Market risk premium	6.19%	6.19%
Beta without financial leverage	0.8989	0.8989
Beta with financial leverage	1.1504	1.1208
D/E	0.3291	0.3291
T	15.00%	25.00%
Enterprise-specific risk	1.0%	1.0%
Cost of equity capital	11.61%	11.43%
Cost of liability capital	3.60%	3.60%
Weighted cost of capital	9.49%	9.27%

6. Sensitivity analysis

In the income approach valuation model, both gross profit margin and discount rate have a greater impact on the income approach valuation results, therefore, a sensitivity analysis was conducted for both gross profit margin and discount rate, with the results as follows:

(1) Sensitivity analysis of gross profit margin changes

Using the current forecasted gross profit margins for future periods as the baseline, and assuming that the forecasted operating revenue remains unchanged, the sensitivity analysis of gross profit margin changes on the valuation under the income approach is as follows (assuming consistent percentage changes in gross profit margin across periods):

Gross profit margin changes	Appraised value (RMB0'000)	Changes in appraised value (RMB0'000)	Rate of change in appraised value	Change in appraised value per 0.5% change in gross profit margins (RMB0'000)	Rate of change in appraised value per 0.5% change in gross profit margins
-1.50%	2,075,346.74	-273,329.21	-11.64%		
-1.00%	2,166,426.17	-182,249.77	-7.76%	91,079.43	3.88%
-0.50%	2,257,505.61	-91,170.34	-3.88%	91,079.43	3.88%
0.00%	2,348,675.95	-	0%	91,170.34	3.88%
0.50%	2,439,664.47	90,988.53	3.87%	90,988.53	3.87%
1.00%	2,530,743.91	182,067.96	7.75%	91,079.43	3.88%
1.50%	2,621,823.34	273,147.39	11.63%	91,079.43	3.88%
Average change		91,079.43			
Average rate of change		3.88%			

From the table, it can be seen that, with the assumption that future forecasted operating revenues remain unchanged, a 0.5% increase or decrease in gross profit margin affects the appraised value by approximately RMB910,794,300, representing a change rate of appraised value of approximately 3.88%.

(2) Sensitivity analysis of discount rate changes

Using the current discount rates for future periods as the baseline, and assuming other parameters in the income approach valuation model remain unchanged, the sensitivity analysis of discount rate changes on the appraised value under income approach is as follows:

Discount rate changes	Appraised value (RMB0'000)	Changes in appraised value (RMB0'000)	Rate of change in appraised value	Change in appraised value per 0.5% change in discount rate (RMB0'000)	Rate of change in appraised value per 0.5% change in discount rate
-1.50%	2,806,444.00	457,768.05	19.49%		
-1.00%	2,635,810.55	287,134.60	12.23%	170,633.45	7.27%
-0.50%	2,484,337.98	135,662.04	5.78%	151,472.57	6.45%
0.00%	2,348,675.95	–	0%	135,662.04	5.78%
0.50%	2,226,563.77	-122,112.18	-5.20%	122,112.18	5.20%
1.00%	2,116,034.69	-232,641.26	-9.91%	110,529.08	4.71%
1.50%	2,015,134.98	-333,540.97	-14.20%	100,899.71	4.30%
Average change		131,884.84			
Average rate of change		5.62%			

From the table, it can be observed that, with other parameters in the income approach valuation model held constant, a 0.5% increase or decrease in the discount rate affects the appraised value by approximately RMB1,318,848,400, representing a change rate of appraised value of approximately 5.62%.

(III) Asset-based approach

The asset-based approach refers to a valuation method for determining the value of the valuation target by reasonably appraising the value of on-balance sheet and identifiable off-balance sheet assets and liabilities based on the balance sheet as at the valuation benchmark date.



28 February 2025

The Directors

Aluminum Corporation of China Limited

No. 62 North Xizhimen Street, Haidian District, Beijing

The People's Republic of China

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE EQUITY VALUATION OF BAOTOU ALUMINIUM CO., LTD. AND INNER MONGOLIA HUAYUN NEW MATERIAL CO., LTD.

Dear Sirs,

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 28 February 2025 prepared by Guozhonglian Asset Appraisal Land and Real Estate Appraisal Co., Ltd. in respect of Baotou Aluminium Co., Ltd. and Inner Mongolia Huayun New Material Co., Ltd. as at 31 December 2024 is based. The valuation is set out in the announcement of Aluminum Corporation of China Limited (the “**Company**”) dated 28 February 2025 (the “**Announcement**”) in connection with the proposed absorption and merger of Inner Mongolia Huayun New Material Co., Ltd., an indirect non-wholly-owned subsidiary of the Company, by Baotou Aluminium Co., Ltd., a direct wholly-owned subsidiary of the Company. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed “Valuation Assumptions” of the valuation reports.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of *the Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of Baotou Aluminium Co., Ltd. and Inner Mongolia Huayun New Material Co., Ltd. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

To: The Stock Exchange of Hong Kong Limited

Listing Division

12/F, Two Exchange Square,

8 Connaught Place, Central, Hong Kong

Dear Sir/Madam,

Company: Aluminum Corporation of China Limited* (the “Company”)

Re: Profit forecast – confirmation letter under the requirements of Rule 14.60A(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”)

Reference is made to the announcement of the Company dated 28 February 2025 in relation to the valuation reports (the “**Valuation Reports**”) dated 28 February 2025 in respect of the valuation of the value of the entire shareholders’ equity of Baotou Aluminum Co., Ltd.* (包頭鋁業有限公司) and Inner Mongolia Huayun New Materials Co., Ltd.* (內蒙古華雲新材料有限公司) prepared by Guozhonglian Asset Appraisal Land and Real Estate Appraisal Co., Ltd.* (國眾聯資產評估土地房地產估價有限公司) (the “**Valuer**”) using the income approach.

The Board of the Company has reviewed the basis and assumptions of the aforesaid valuation and discussed the same with the Valuer. The Board of the Company has also considered the report from Ernst & Young, the reporting accountants of the Company, on 28 February 2025 in relation to the arithmetical calculations and the compilation of the discounted future estimated cash flows upon which the Valuation Reports were based.

Pursuant to the requirements of Rule 14.60A(3) of the Hong Kong Listing Rules, the Board of the Company confirmed that the profit forecast used in the aforesaid Valuation Reports has been made after due and careful enquiry.

The Board of Directors
Aluminum Corporation of China Limited*

28 February 2025

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures

Name	Position in the Company	Nature of interests	Number of A Shares held in the Company	Percentage in total issued A Shares of the Company
Jiang Tao	Executive Director and Deputy General Manager	Beneficial owner	230,000	0.00174%
		Spouse's interests <i>Note</i>	4,000	0.00003%
Xu Shuxiang	Supervisor	Beneficial owner	4,400	0.00003%
Total	/	/	<u>238,400</u>	<u>0.0018%</u>

Note: Ms. Shi Biqiong, the spouse of Mr. Jiang Tao, directly holds 4,000 A Shares of the Company. Pursuant to the SFO, Mr. Jiang Tao is deemed to be interested in 4,000 A Shares of the Company held by Ms. Shi Biqiong.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors, the Supervisors or the chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are (a) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (c) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Mr. Mao Shiqing and Mr. Li Xiehua, being the Directors of the Company as well as Ms. Lin Ni, Mr. Zhang Wenjun and Mr. Ding Chao, being the Supervisors of the Company, concurrently hold positions in Chinalco. Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive of the Company or their respective associates concurrently served as a director or an employee of other company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, as far as the Directors are aware, there is no material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited accounts of the Company were made up.

4. EXPERT AND CONSENT

Each of the following experts has given and has not withdrawn its written consent to the issue of this supplemental circular with the inclusion herein of its letter and references to its name in the form and context in which it is included in this supplemental circular.

The following is the qualification of the experts who have provided their opinion or advice, which is contained in this supplemental circular:

Name	Qualification	Date of conclusion or opinion
Ernst & Young	Certified Public Accountants, Hong Kong	28 February 2025
GZL	Qualified PRC Valuer	28 February 2025
VBG Capital	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO	7 April 2025

As at the Latest Practicable Date, none of the abovementioned experts was beneficially interested in the equity interest of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, none of the abovementioned experts had any direct or indirect interest in any assets which had been, since 31 December 2024, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with the Company or any other member of the Group, which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' AND SUPERVISORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors had any interest in any assets which have been since 31 December 2024 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Hong Kong Listing Rules) had any interest in any businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules if each of them was a controlling Shareholder).

8. MISCELLANEOUS

- (1) The registered office of the Company is situated at No. 62 North Xizhimen Street, Haidian District, Beijing, the People's Republic of China.
- (2) The Hong Kong H Share registrar of the Company is Computershare Hong Kong Investor Services Limited situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The English text of this supplemental circular shall prevail over the Chinese text in the case of inconsistency unless otherwise specified.

9. DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chalco.com.cn) from the date of this supplemental circular up to and including 20 April 2025:

- (1) the letter from the Independent Board Committee, the text of which is set out in this supplemental circular;
- (2) the letter from VBG Capital, the text of which is set out in this supplemental circular;
- (3) the Summary of Valuation, the text of which is set out in Appendix I to this supplemental circular;
- (4) the letter from the reporting accountants regarding the profit forecast, the text of which is set out in Appendix II to this supplemental circular;
- (5) the letter from the Board regarding the profit forecast, the text of which is set out in Appendix III to this supplemental circular;
- (6) the written consents of Ernst & Young, GZL and VBG Capital as referred to in this Appendix; and
- (7) the Absorption and Merger Agreement.