

Stock Code: **603799** Stock Name: Huayou Cobalt Announcement No.: **2023-109**  
Convertible Bond Code: **113641** Convertible Bond Name: Huayou Convertible Bond

## **Zhejiang Huayou Cobalt Co., Ltd.**

### **Announcement on the Purchase of Assets**

The board of directors and all directors of the Company guarantee that the information of this Announcement is free from false records, misrepresentations or major omissions, and will bear individual and joint and several liabilities with respect to the authenticity, accuracy and completeness thereof.

#### **Important Notes:**

- Transaction summary: The Company intends to purchase from Perlux Limited, through its wholly-owned subsidiary Huayou International Mining, 50.15% equity in Zhongjing Holdings and the corresponding shareholder loan at a price of USD 200,400,000 (where the consideration for the purchase of the equity is USD 190,032,992, and the consideration for the purchase of the shareholder loan is USD 10,367,008), so as to acquire 50.1% equity in AMI, a subsidiary of Zhongjing Holdings, indirectly. After the completion of the acquisition, Huayou International Mining will hold 50.15% equity in Zhongjing Holdings, while Perlux Limited will hold 49.85% equity in Zhongjing Holdings.
- This transaction does not constitute a related-party transaction, nor does it constitute a major asset restructuring.

#### **Special Risk Warning:**

1. The purchase of assets by the Company is subject to approval/filing and/or other administrative procedures with governments in China, Indonesia, etc. It is uncertain whether it can be successfully completed.

2. There is great uncertainty in the future price trend of nickel metal. If the price of nickel metal falls sharply in the future, it will result in significant uncertainty in the profitability of the project.

### **I. Overview of the Transaction**

(I) Basic information of the transaction

Based on strategic planning and business development needs, Zhejiang Huayou Cobalt Co., Ltd. (“Huayou Cobalt” or the “Company”) intends to acquire from Perlux Limited, through its wholly-owned subsidiary Huayou International Mining (Hong Kong) Limited (“Huayou International Mining”), 50.15% equity in Zhongjing Holdings Limited (“Zhongjing Holdings”) and the corresponding shareholder loan at a price of USD 200,400,000 (where the consideration for the purchase of the equity is USD 190,032,992, and the consideration for the purchase of the shareholder loan is USD 10,367,008), so as to acquire 50.1% equity in PT Andalan Metal Industry (“AMI”), a subsidiary of Zhongjing Holdings, indirectly. AMI has two RKEF nickel iron production lines (with annual output of 150,000 tons of nickel iron, equivalent to 24,000 tons of nickel metal). After the completion of the acquisition, Huayou International Mining will hold 50.15% equity in Zhongjing Holdings, while Perlux Limited will hold 49.85% equity in Zhongjing Holdings.

(II) Review procedures

The purchase of assets was approved at the seventh meeting of the sixth board of directors of the Company. In accordance with the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, the Articles of Association and other relevant regulations, there is no need to submit to the general meeting of shareholders for consideration.

(III) The purchase of assets is not a related-party transaction, nor does it constitute a major asset restructuring.

## **II. Basic Information of the Counterparty**

Perlux Limited, a limited liability company incorporated under the laws of the Cayman Islands, was registered at P.O.BOX 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. As of December 31, 2022, Perlux Limited had total assets of USD 108,434,000, net assets of USD 108,432,900, operating income of USD 0 and net profit of USD 128,875,500 for the year 2022.

The Company and Perlux Limited remain independent in terms of property rights, business, assets, claims and debts, personnel, etc.

Perlux Limited is not listed as a person subject to enforcement for breach of trust.

## **III. Basic Information of the Object of Transaction**

(I) Objection of transaction: 50.15% equity in Zhongjing Holdings and corresponding shareholder loan.

(II) Ownership of the object of transaction

The property rights of the object of transaction are clear without mortgage, pledge and any other restriction on transfer, without litigation, arbitration or judicial measures such as seizure and freezing, and without other circumstances that prevent the transfer of ownership.

(III) Operation of related assets

The purchase of 50.15% equity in Zhongjing Holdings and the corresponding shareholder loan is to acquire 50.1% equity in AMI indirectly. AMI has built two RKEF nickel iron production lines (with annual output of 150,000 tons of nickel iron, equivalent to 24,000 tons of nickel metal).

(IV) Ownership structure of the object of transaction and related assets

1. Zhongjing Holdings

Name: Zhongjing Holdings Limited

Address: Unit 2, 1/F, Mirror Tower, 61 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong

Authorized capital: USD 2000

Date of establishment: November 13, 2018

Shareholders: Prior to the transaction, Perlux Limited held 100.00% equity in Zhongjing Holdings; after the completion of the transaction, Huayou International Mining will hold 50.15% equity in Zhongjing Holdings, while Perlux Limited will hold 49.85% equity in Zhongjing Holdings

Business scope: Investment

Financial indicators:

As of December 31, 2022, Zhongjing Holdings had total assets of USD 23.98 million, net assets of USD 3.3 million, operating income of USD 0 and net profit of USD 3.3 million for the year 2022 (audited).

Zhongjing Holdings is not listed as a dishonest judgment debtor.

2. AMI

Name: PT Andalan Metal Industry

Address: WedaBay Park, Halmahera, North Maluku, Indonesia

Authorized capital: USD 24 million

Date of establishment: February 26, 2019

Shareholders: Zhongjing Holdings holds 99.90% equity in AMI, while Green Source International Industrial Limited holds 0.1% equity in AMI.

Business scope: RKEF production line operation, nickel metal extraction

Financial indicators:

As of December 31, 2022, AMI had total assets of USD 284.6 million, net assets of USD 265.85 million, operating income of USD 555.3 million and net profit of USD 160.21 million for the year 2022 (audited).

AMI is not listed as a dishonest judgment debtor.

#### **IV. Appraisal and Pricing of the Object of Transaction**

In order to ensure fair and reasonable transaction pricing, the Company has engaged CanWin Appraisal Co., Ltd., an appraisal agency with securities and futures related business qualifications, to appraise the value of AMI. The value determined in the report will be used as the basis for transaction pricing.

According to the *Report on the Valuation of All Shareholders' Equity of PT Andalan Metal Industry Involved in the Proposed Acquisition of Equity by Zhejiang Huayou Cobalt Co., Ltd.* (Kun Yuan Ping Zi [2023] No. 39) issued by CanWin Appraisal Co., Ltd. ("CanWin Appraisal"), with July 31, 2022 as the base date of appraisal, CanWin Appraisal used market approach for valuation of all shareholders' equity of AMI, and the conclusions are as follows: based on the valuation assumptions disclosed in this report, the book value of all shareholders' equity of AMI is USD 225,463,332.54, and the estimated value is USD 459,945,100.00, so the valuation appreciation is USD 234,481,767.46, representing a 104.00% appreciation rate.

Upon mutual agreement between the Company and the counterparty, the Company will acquire 50.15% equity in Zhongjing Holdings and the corresponding shareholder loan at a price of USD 200,400,000 (where the consideration for the purchase of the equity is USD 190,032,992, and the consideration for the purchase of the shareholder loan is USD 10,367,008), so as to acquire 50.1% equity in AMI indirectly, which is in line with market pricing principles.

## **V. Main Contents of Contract**

### **(I) Share Purchase Agreement**

Huayou International Mining intends to purchase from Perlux Limited 50.15% equity in Zhongjing Holdings and the corresponding shareholder loan, so as to acquire 50.1% equity in AMI indirectly. Huayou International Mining and Perlux Limited set forth the understandings and agreement reached by the parties with respect to the transaction and other matters relating to the transfer.

1. Contracting parties: Huayou International Mining (the Buyer), Perlux Limited (the Seller), Zhongjing Holdings

2. Consideration

The consideration paid by the Buyer to the Seller for the purchase of the shares and the shareholder loan shall be USD 190,032,992 and USD 10,367,008, respectively.

3. Transfer

No party shall have the right to transfer its rights under this Agreement without the prior written consent of the other parties hereto, and such consent shall not be unreasonably withheld or delayed.

4. Undertakings

The Buyer and the Seller shall cause Zhongjing Holdings and AMI to amend their articles of association in accordance with the Shareholder Agreement and subsequently register the amended articles of association with the registries in Hong Kong and Indonesia respectively within the agreed time limit after the closing date;

As soon as possible after completion of the transaction, the Buyer and the Seller shall cause the number of directors of Zhongjing Holdings and AMI to be adjusted to three, two of whom shall be appointed by the Buyer and one by the Seller;

5. Limitation of liability for compensation

(1) Except as otherwise provided in this Agreement, the Buyer shall not have any claim against the Seller for any breach of warranties if the breach or the content relating thereto has been disclosed in the Disclosure Letter, due diligence information, this Agreement and/or statements.

(2) The Seller shall not be liable for any claim of the Buyer unless: the amount of each single claim exceeds USD 1,900,000 and the compensation for such claim and the

compensation for all claims cumulatively exceed USD 19,000,000 (the “Minimum Amount”). In such case, the Seller shall bear the full amount of the claim (not limited to the amount exceeding the Minimum Amount). The total amount of maximum compensation of the Seller for any and all claims shall not exceed an amount equal to the total purchase price (i.e. USD 190,032,992).

#### 6. Dispute resolution

In case of any dispute arising out of or in connection with this Agreement, the parties shall first seek to settle such dispute through friendly negotiation. The negotiation shall commence no later than five business days after the party requiring negotiation gives notice to the other parties. If no settlement is reached through friendly negotiation within thirty days after the date of such notice, any party may submit the dispute to Shanghai International Arbitration Center (“SHIAC”) for arbitration and final settlement in accordance with the arbitration rules of SHIAC in force at the time of filing of the notice of arbitration. The arbitration shall be governed by Chinese law. The award of the arbitral tribunal shall be final and binding on the parties.

#### 7. Effectiveness

This Agreement shall come into force on the date of signing.

### **VI. Impact of the Purchase of Assets on the Company**

Under the Company’s development strategy during the “14th Five-Year Plan” period, new energy lithium battery material industry was taken as the core business for development. With the rapid development of new energy automobile industry and the constant deepening of high-nickel process of ternary power battery, the demand of high-nickel ternary materials for nickel resources has increased rapidly. This acquisition is an arrangement made by the Company in accordance with the medium and long-term development strategy. By acquiring the nickel iron production line of AMI and carrying out relevant technical improvements, the Company's nickel matte capacity will be further enhanced, which will help provide efficient, stable and diversified resource guarantee for the development of the Company’s new energy lithium battery material business, and enhance the Company’s profitability and sustainable development ability. The acquisition of assets will not have a significant impact on the Company’s operating performance this year, and has no harm to the interests of listed companies and shareholders. Please make

prudent decisions and pay attention to investment risks.

## **VII. Risk Warning**

1. The purchase of assets by the Company is subject to approval/filing and/or other administrative procedures with governments in China, Indonesia, etc. It is uncertain whether it can be successfully completed.

2. There is great uncertainty in the future price trend of nickel metal. If the price of nickel metal falls sharply in the future, it will result in significant uncertainty in the profitability of the project.

It is hereby announced the above.

Board of Directors of Zhejiang Huayou Cobalt Co., Ltd.

July 25, 2023