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China Nonferrous Mining Corporation Limited **中國有色礦業有限公司**

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 01258)

UNAUDITED INTERIM RESULTS **FOR THE SIX MONTHS ENDED 30 JUNE 2021**

Financial Highlights of the Group

In the first half of 2021, the Group recorded revenue of US\$2,109.6 million, representing an increase of 123.8% from US\$942.8 million in the first half of 2020.

In the first half of 2021, the Group recorded net profit of US\$348.2 million, representing an increase of 682.5% from US\$44.5 million in the first half of 2020.

In the first half of 2021, the Group recorded profit attributable to owners of the Company of US\$238.5 million, representing an increase of 914.9% from US\$23.5 million in the first half of 2020.

In the first half of 2021, the Group recorded basic earnings per share attributable to owners of the Company of approximately US¢6.70 (equivalent to approximately HK\$0.52), representing an increase of approximately 900.0% from US¢0.67 (equivalent to approximately HK\$0.05) in the first half of 2020.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021.

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Nonferrous Mining Corporation Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021, together with comparative financial information for the corresponding period in 2020.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
		2021	2020
		US\$'000	US\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue from contracts with customers	3,4	2,109,557	942,762
Cost of sales		<u>(1,490,995)</u>	<u>(747,182)</u>
Gross profit		618,562	195,580
Other income		3,442	4,359
Other gains and losses	5	18,021	(60,197)
Distribution and selling expenses		(43,616)	(26,413)
Administrative expenses		(46,743)	(29,377)
Other expenses		(1,326)	(2,960)
Finance costs		<u>(18,018)</u>	<u>(13,845)</u>
Profit before tax		530,322	67,147
Income tax expense	6	<u>(182,102)</u>	<u>(22,624)</u>
Profit and total comprehensive income for the period		<u>348,220</u>	<u>44,523</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		238,543	23,466
Non-controlling interests		<u>109,677</u>	<u>21,057</u>
		<u>348,220</u>	<u>44,523</u>
Earnings per share	8		
– Basic and diluted (US cents per share)		6.70	0.67
– Basic and diluted (equivalent to approximately HK\$ per share)		<u>0.52</u>	<u>0.05</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

		At 30 June 2021	At 31 December 2020
	<i>Notes</i>	US\$'000	US\$'000
		(Unaudited)	(Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment		1,716,384	1,719,997
Right-of-use assets		12,413	14,895
Mining rights		136,117	136,187
Restricted bank balances		1,505	1,505
Deferred tax assets		6,976	20,588
Prepayments and other receivables		86,576	34,508
		1,959,971	1,927,680
Current Assets			
Inventories		606,874	671,427
Trade receivables at amortised cost	9	22,086	20,666
Trade receivables at fair value through profit or loss (“FVTPL”)	9	691,319	227,740
Prepayments and other receivables		175,944	185,728
Financial assets at FVTPL		10,936	–
Restricted bank balances		1,776	2,289
Bank balances and cash		841,202	497,829
		2,350,137	1,605,679
Total Assets		4,310,108	3,533,359

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

		At 30 June 2021 US\$'000 (Unaudited)	At 31 December 2020 US\$'000 (Audited)
	<i>Notes</i>		
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	11	740,119	613,233
Retained profits		<u>683,505</u>	<u>498,531</u>
Equity attributable to owners of the Company		1,423,624	1,111,764
Non-controlling interests		<u>656,855</u>	<u>547,178</u>
Total Equity		<u>2,080,479</u>	<u>1,658,942</u>
Non-current Liabilities			
Deferred tax liabilities		126,838	63,233
Bank and other borrowings			
– due after one year		925,000	464,000
Lease liabilities		10,380	13,424
Deferred income		15,160	16,345
Provision for restoration, rehabilitation and environmental costs		<u>28,663</u>	<u>28,272</u>
		<u>1,106,041</u>	<u>585,274</u>
Current Liabilities			
Trade payables	10	260,387	219,728
Trade payables designated at FVTPL	10	401,927	205,178
Other payables and accrued expenses		166,698	114,417
Income tax payable		184,028	123,525
Bank and other borrowings			
– due within one year		101,912	597,442
Lease liabilities		6,615	6,770
Contract liabilities		2,021	11,141
Financial liabilities designated at FVTPL		<u>–</u>	<u>10,942</u>
		<u>1,123,588</u>	<u>1,289,143</u>
Total Liabilities		<u>2,229,629</u>	<u>1,874,417</u>
Total Equity and Liabilities		<u><u>4,310,108</u></u>	<u><u>3,533,359</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<u>Attributable to owners of the Company</u>			Non-	Total
	Share	Retained	Total	controlling	equity
	capital	profits		interests	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Six months ended 30 June 2021					
At 31 December 2020 (Audited)	613,233	498,531	1,111,764	547,178	1,658,942
Issue of shares (Note 11)	127,482	–	127,482	–	127,482
Share issuance cost (Note 11)	(596)	–	(596)	–	(596)
Profit and total comprehensive income for the period	–	238,543	238,543	109,677	348,220
Dividends declared by the Company	–	(53,569)	(53,569)	–	(53,569)
At 30 June 2021 (Unaudited)	740,119	683,505	1,423,624	656,855	2,080,479
Six months ended 30 June 2020					
At 31 December 2019 (Audited)	613,233	400,571	1,013,804	522,272	1,536,076
Profit and total comprehensive income for the period	–	23,466	23,466	21,057	44,523
Dividends declared by a subsidiary	–	–	–	(33,684)	(33,684)
Dividends declared by the Company	–	(27,005)	(27,005)	–	(27,005)
At 30 June 2020 (Unaudited)	613,233	397,032	1,010,265	509,645	1,519,910

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	369,660	69,675
NET CASH USED IN INVESTING ACTIVITIES	(82,892)	(67,165)
NET CASH FROM FINANCING ACTIVITIES	56,623	96,389
NET INCREASE IN CASH AND CASH EQUIVALENTS	343,391	98,899
CASH AND CASH EQUIVALENTS AT 1 JANUARY	497,829	481,210
Effect of foreign exchange rate changes	(18)	(856)
CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTED BY:		
Bank balances and cash	841,202	579,253

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31 December 2020 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

2.1.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group will apply the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2” (Continued)

2.1.2 Transition and summary of effects

As at 1 January 2021, the Group has several financial liabilities, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts as at 1 January 2021. The amount of financial liabilities is shown at their carrying amounts.

	US\$ London Interbank Offered Rate (“LIBOR”) US\$’000
Financial liabilities	
Bank and other borrowings	1,061,442

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans and lease liabilities measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	Six months ended 30 June 2021	
	Leaching US\$'000 (Unaudited)	Smelting US\$'000 (Unaudited)
Sales of goods to external customers		
Copper cathodes	468,213	–
Blister copper and copper anodes	–	1,554,500
Sulfuric acid	–	62,915
Liquid sulphur dioxide	–	9,652
Cobalt contained in cobaltous hydroxide	6,672	–
	474,885	1,627,067
Copper products processing services	–	7,605
Total	474,885	1,634,672
Geographical markets		
Mainland China	336,018	685,456
Hong Kong	–	419,902
Switzerland	99,391	125,865
Singapore	23,682	171,532
Africa	4,531	79,412
Luxemburg	11,263	152,505
Total	474,885	1,634,672
Timing of revenue recognition		
A point in time	474,885	1,634,672

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Disaggregation of revenue from contracts with customers (Continued)

	Six months ended 30 June 2020	
	Leaching US\$'000 (Unaudited)	Smelting US\$'000 (Unaudited)
Sales of goods to external customers		
Copper cathodes	270,934	–
Blister copper and copper anodes	–	614,514
Sulfuric acid	–	47,349
Liquid sulphur dioxide	–	4,603
Cobalt contained in cobaltous hydroxide	616	–
	<u>271,550</u>	<u>666,466</u>
Copper products processing services	<u>–</u>	<u>4,746</u>
Total	<u><u>271,550</u></u>	<u><u>671,212</u></u>
Geographical markets		
Mainland China	199,569	367,024
Hong Kong	–	144,383
Switzerland	43,383	87,142
Singapore	16,832	16,400
Africa	6,353	56,263
Luxemburg	5,413	–
	<u>271,550</u>	<u>671,212</u>
Total	<u><u>271,550</u></u>	<u><u>671,212</u></u>
Timing of revenue recognition		
A point in time	<u><u>271,550</u></u>	<u><u>671,212</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. SEGMENT INFORMATION

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Six months ended 30 June 2021		
	Leaching	Smelting	Consolidated
	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external sales	474,885	1,634,672	2,109,557
Inter-segment sales	–	23,224	23,224
Total segment revenue	<u>474,885</u>	<u>1,657,896</u>	2,132,781
Elimination			<u>(23,224)</u>
Revenue for the period			<u>2,109,557</u>
Segment profit	<u>187,853</u>	<u>169,095</u>	356,948
Unallocated income*			426
Unallocated expenses [#]			<u>(9,154)</u>
Profit for the period			<u>348,220</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	Six months ended 30 June 2020		
	Leaching	Smelting	Consolidated
	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external sales	271,550	671,212	942,762
Inter-segment sales	—	18,216	18,216
Total segment revenue	<u>271,550</u>	<u>689,428</u>	960,978
Elimination			<u>(18,216)</u>
Revenue for the period			<u>942,762</u>
Segment profit	<u>35,618</u>	<u>11,350</u>	46,968
Unallocated income*			580
Unallocated expenses [#]			<u>(3,025)</u>
Profit for the period			<u>44,523</u>

* The unallocated income mainly represents the interest income arising from the bank deposits and bank balances of the Company, China Nonferrous Mining Holdings Limited (“CNMH”), a directly wholly-owned subsidiary of the Company which directly holds the Group’s shareholdings in the subsidiaries in Zambia, China Nonferrous Mining Hong Kong Holdings Limited (“CNMHK”), a directly non-wholly-owned subsidiary of the Company which directly holds the Group’s shareholdings in three subsidiaries in Democratic Republic of Congo (“DRC”), and China Nonferrous Mining Hong Kong Investment Limited (“CNMHKI”), a directly wholly-owned subsidiary of the Company which directly holds the Group’s shareholdings in the other three subsidiaries in DRC (collectively referred to as the “Holding Companies”).

[#] The unallocated expenses mainly represent the administrative expenses, interest expenses and income tax expenses of the Holding Companies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	At 30 June 2021 US\$'000 (Unaudited)	At 31 December 2020 US\$'000 (Audited)
Segment assets		
– Leaching	1,307,852	1,005,540
– Smelting	2,939,553	2,509,331
Total segment assets	4,247,405	3,514,871
Unallocated assets*	68,263	29,178
Elimination	(5,560)	(10,690)
Consolidated total assets	<u>4,310,108</u>	<u>3,533,359</u>
Segment liabilities		
– Leaching	369,790	401,246
– Smelting	1,763,556	1,427,834
Total segment liabilities	2,133,346	1,829,080
Unallocated liabilities*	101,843	56,027
Elimination	(5,560)	(10,690)
Consolidated total liabilities	<u>2,229,629</u>	<u>1,874,417</u>

* The unallocated assets and liabilities mainly represent those of the Holding Companies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Impairment loss recognised (reversed) in respect of		
– input value added tax (“VAT”) receivables	19,775	1,420
– financial assets under expected credit loss model	–	(80)
Loss on disposal of property, plant and equipment, net	–	394
Loss (gain) from change in fair value of financial assets/liabilities at FVTPL		
– financial assets/liabilities at FVTPL	40,484	4,156
– trade receivables at FVTPL	(163,632)	12,853
– trade payables designated at FVTPL	82,970	37
Foreign exchange loss, net (<i>note</i>)	2,382	41,417
	(18,021)	60,197

Note: The amount included exchange losses arising from the retranslation of input VAT receivables denominated in Zambia Kwacha (“ZMK”) to United States Dollars (“US\$”) amounting to US\$5,323,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: US\$41,215,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Income tax in Ireland	323	–
Income tax in DRC	33,657	11,010
Income tax in Zambia	70,905	17,985
	104,885	28,995
Deferred tax		
Current period	77,217	(6,371)
Total income tax expense	182,102	22,624
Effective tax rate	34.3%	33.7%

Note: Chambishi Copper Smelter Limited (“CCS”), a non-wholly owned subsidiary of the Company located in Zambia, is eligible for the tax exemption for the first five profitable years; 50% income tax relief for the next three years thereafter; and 25% of income tax relief for the next two years thereafter. The tax incentives are applicable to the assessable profit generated from the two different phases of production facilities of CCS with different dates of commencement of the tax incentives. One of the phases of production facilities of CCS is not eligible for the income tax relief for both reporting periods. The remaining phase of production facilities of CCS is under the second year of 50% income tax relief during the six months ended 30 June 2021 (six months ended 30 June 2020: 50%).

7. DIVIDENDS

During the six months ended 30 June 2021, a final dividend of US¢1.4327 per share in respect of the year ended 31 December 2020 (six months ended 30 June 2020: US¢0.7740 per share in respect of the year ended 31 December 2019) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the six months ended 30 June 2021 amounted to US\$53,569,169 (six months ended 30 June 2020: US\$27,005,200).

The directors of the Company (the “**Directors**”) do not recommend interim dividend for the current period (six months ended 30 June 2020: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share (<i>in US\$'000</i>)	238,543	23,466
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>in '000</i>)	3,559,478	3,489,036
Earnings per share		
– Basic and diluted (<i>US cents per share</i>)	6.70	0.67
– Basic and diluted (<i>equivalent to approximately HK\$ per share</i>)	0.52	0.05

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for subscription of new shares which took place on 14 May 2021.

During the six months ended 30 June 2021 and 2020, there was no potential ordinary share outstanding with diluted impact.

9. TRADE RECEIVABLES AT AMORTISED COST/TRADE RECEIVABLES AT FVTPL

	At 30 June 2021	At 31 December 2020
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Trade receivables at amortised cost	23,883	22,463
Less: Allowance for credit losses	(1,797)	(1,797)
	22,086	20,666
Trade receivables at FVTPL	691,319	227,740

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

9. TRADE RECEIVABLES AT AMORTISED COST/TRADE RECEIVABLES AT FVTPL (CONTINUED)

As at 30 June 2021 and 31 December 2020, all trade receivables at amortised cost/trade receivables at FVTPL are from contracts with customers.

The following is an aging analysis of trade receivables at amortised cost, net of allowance for credit losses, presented based on the invoice dates:

	At 30 June 2021 US\$'000 (Unaudited)	At 31 December 2020 US\$'000 (Audited)
0 to 30 days	19,157	13,625
31 to 90 days	2,451	7,041
91 to 180 days	478	–
	<u>22,086</u>	<u>20,666</u>

The following is an aging analysis of trade receivables at FVTPL, presented based on the invoice dates:

	At 30 June 2021 US\$'000 (Unaudited)	At 31 December 2020 US\$'000 (Audited)
0 to 30 days	244,854	196,126
31 to 90 days	424,076	27,472
91 to 180 days	22,389	4,142
	<u>691,319</u>	<u>227,740</u>

The Group sells copper products under provisional pricing arrangements where final prices are set at a specified date based on market prices. Revenues are recognised using forward prices for the expected date of final settlement. The contractual cash flows of trade receivable vary depending on the market price at the date of final settlement, and do not represent solely payments of principal and interests on the principal amount outstanding. Consequently, these trade receivables resulted from provisionally priced contracts are measured at FVTPL.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

10. TRADE PAYABLES/TRADE PAYABLES DESIGNATED AT FVTPL

	At 30 June 2021 US\$'000 (Unaudited)	At 31 December 2020 US\$'000 (Audited)
Trade payables	<u>260,387</u>	<u>219,728</u>
Trade payables designated at FVTPL	<u>401,927</u>	<u>205,178</u>

The following is an aging analysis of trade payables, presented based on the invoice dates:

	At 30 June 2021 US\$'000 (Unaudited)	At 31 December 2020 US\$'000 (Audited)
0 to 30 days	111,718	101,332
31 to 90 days	56,453	34,435
91 to 180 days	38,796	19,207
181 to 365 days	6,919	17,135
1–2 years	2,172	3,290
Over 2 years	<u>44,329</u>	<u>44,329</u>
	<u>260,387</u>	<u>219,728</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

10. TRADE PAYABLES/TRADE PAYABLES DESIGNATED AT FVTPL
(CONTINUED)

The following is an aging analysis of trade payables designated at FVTPL, presented based on the invoice dates:

	At 30 June 2021 US\$'000 (Unaudited)	At 31 December 2020 US\$'000 (Audited)
0 to 30 days	212,861	169,845
31 to 90 days	189,066	26,230
91 to 180 days	–	7,715
181 to 365 days	–	1,388
	401,927	205,178

The trade payables arising from provisional pricing arrangements of copper concentrates purchases are settled at final prices set at a specified future period after shipment by suppliers based on prevailing spot prices. These trade payables are designated at FVTPL on contract by contract basis.

The average credit period on purchases of certain goods is within 3 months and most payables are paid within the credit time frame.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

11. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000	Share capital US\$'000
Issued and fully paid			
At 1 January 2020, 30 June 2020, 1 January 2021	3,489,036	4,775,319	613,233
Issue of shares on 14 May 2021 (note)	250,000	990,000	127,482
Transaction costs attributable to issue of shares	—	(4,630)	(596)
At 30 June 2021	<u>3,739,036</u>	<u>5,760,689</u>	<u>740,119</u>

Note: Upon the completion of all conditions as stated in a placing and subscription agreement entered into by the Company, China Nonferrous Mining Development Limited (“CNMD”), the Company’s immediate holding company, and a placing agent dated 6 May 2021, (1) a total of 250,000,000 shares of the Company held by CNMD were placed at HK\$3.96 per share to not less than six placees on 11 May 2021; and (2) a total of 250,000,000 new shares of the Company were subscribed by CNMD at HK\$3.96 per share on 14 May 2021. Net proceeds of approximately HK\$985,370,000 (equivalent to approximately US\$126,886,000) were received by the Company. Details of the placing and subscription are set out in the announcements published by the Company dated 6 May 2021 and 14 May 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In the first half of 2021, the operating results of the Group increased significantly year on year due to the year-on-year increase in sales of products of the Group and the impact of the year-on-year increase in global copper price.

During the reporting period, the revenue of the Group amounted to US\$2,109.6 million, representing an increase of 123.8% as compared with the same period last year. Profit attributable to owners of the Company amounted to US\$238.5 million, representing an increase of 914.9% over the same period last year, which was mainly attributable to the year-on-year increases in sales of products and global copper price.

With the Integrated Exploration and Construction Project of the Chambishi Southeast Mine, Lualaba copper smelting project, the reconstruction and expansion project of CNMC Huachin Mabende and other project put into production, and the remarkable progress made in the Kambove Main Mine Leach Copper Smelting Project (formerly known as: The Integrated Exploration and Construction Project of Kambove Main Mine), a solid foundation will be paved for the Group's further development of business.

Business Review

The Group is a leading, fast growing and vertically integrated copper producer, which focuses on operations based in Zambia and the DRC concerning mining, ore processing, leaching, smelting and sales of copper and cobalt. The Group also produces sulfuric acid, a by-product generated during the smelting process.

The Group has amped up its efforts in the development of the cobalt business. Apart from Chambishi Copper Smelter Limited (“CCS”), which engages in the production of copper-cobalt alloy, and Huachin Leach copper-cobalt reconstruction and expansion project, which engages in the production of cobalt contained in cobaltous hydroxide, the Lualaba copper smelting project and Kambove Main Mine Leach Copper Smelting Project (formerly known as: The Integrated Exploration and Construction Project of Kambove Main Mine) are designed to produce cobalt products, and the Chambishi Southeast Mine project is conducting a feasibility study for the development of cobalt business.

The businesses of the Group are carried out mainly through the following companies: NFC Africa Mining PLC (“NFC”), CNMC Luanshya Copper Mines PLC (“Luanshya”), CCS and Sino-Metals Leach Zambia Limited (“SML”) located in Zambia, as well as Huachin Metal Leach SA (“Huachin Leach”), CNMC Huachin Mabende Mining SA (“CNMC Huachin Mabende”), Lualaba Copper Smelter SAS (“Lualaba Copper Smelter”) and Kambove Mining SAS (“Kambove Mining”) located in the DRC.

From January to June 2021, the Group accumulatively produced 172,515 tonnes of blister copper and copper anodes, representing an increase of 79.7% from the same period last year; copper cathodes of 58,570 tonnes, representing an increase of 7.7% from the same period last year; cobalt contained in cobaltous hydroxide of 108 tonnes, representing an increase of 12.5% from the same period last year; sulfuric acid of 525,500 tonnes, representing an increase of 59.0% from the same period last year; and liquid sulphur dioxide of 11,977 tonnes, representing an increase of 152.0% from the same period last year; the Group accumulatively processed copper products of 19,204 tonnes as entrusted by external enterprises, representing an increase of 21.5% from the same period last year.

Production Overview

NFCA

NFCA mainly operates Chambishi Main Mine, Chambishi West Mine and Chambishi Southeast Mine, as well as the ancillary processing plant.

In the first half of 2021, Chambishi Main Mine, Chambishi West Mine and Chambishi Southeast Mine produced 37,091 tonnes of copper anodes, representing an increase of 215.3% from the same period last year, of which Southeast Mine produced 22,190 tonnes of copper anodes, which was primarily due to the fact that the Integrated Exploration and Construction Project of Chambishi Southeast Mine was put into operation officially on 1 July 2020, resulting in a significant increase in the production capacity.

Luanshya

Luanshya operates four copper mines, namely Baluba East Mine, Muliashi North Mine, Roan Ext. Mine (including Roan Ext. East Mine, Roan Ext. West Mine) and Roan Basin Mine, respectively, as well as the Muliashi Leach Plant.

The Luanshya produced 22,118 tonnes of copper cathodes in the first half of 2021, representing an increase of 6.9% from the same period last year, and produced 6,857 tonnes of blister copper in the first half of 2021, representing an increase of 32.6% from the same period last year.

CCS

CCS mainly operates the Chambishi Smelting Plant.

In the first half of 2021, CCS accumulatively produced 131,653 tonnes of blister copper and copper anodes, representing an increase of 35.9% from the same period last year, which included copper products of 46,902 tonnes manufactured through outsourced processing; and 383,864 tonnes of sulphuric acid, representing an increase of 32.1% from the same period last year. The increase was mainly due to the shutdown and overhaul of Isa furnace in June 2020, during which no product was produced while it was in normal operation for the six months ended 30 June this year .

SML

SML mainly operates the Mwambashi Mine and the Chambishi Leach Plant.

Copper cathodes produced by SML in the first half of 2021 has increased by 9.5% to 4,627 tonnes as compared with the same period last year. SML produced 2,954 tonnes of blister copper, representing an increase of 116.7% from the same period last year, mainly attributable to the outsourced ore which facilitated the increase in the production volume of copper.

CNMC Huachin Mabende and Huachin Leach

Copper cathodes produced by CNMC Huachin Mabende in the first half of 2021 increased by 9.6% to 18,105 tonnes as compared with the same period last year. Copper cathodes produced by Huachin Leach increased by 5.9% to 13,720 tonnes as compared with the same period last year.

Lualaba Copper Smelter

In the first half of 2021, Lualaba Copper Smelter produced 60,066 tonnes of blister copper, including the processed copper products of 19,204 tonnes, representing an increase of 216.5% from the same period last year; 141,636 tonnes of sulfuric acid, representing an increase of 255.5% from the same period last year; and 11,977 tonnes of liquid sulphur dioxide, representing an increase of 152.0% from the same period last year, which was mainly due to the fact that products produced from January to April 2020, the infrastructure trial production period, and that commercial production began in May 2020 and production was still ramping up in the initial production stage.

The table below sets forth the production volume of the products of the Group and the period-to-period change for the periods indicated.

	Production volume for the six months ended 30 June 2021⁽¹⁾ (Tonnes)	Production volume for the six months ended 30 June 2020⁽¹⁾ (Tonnes)	Period-to-period increase (%)
Blister copper and copper anodes	172,515	96,023	79.7
Copper cathodes	58,570	54,381	7.7
Cobalt contained in cobaltous hydroxide	108	96	12.5
Sulfuric acid	525,500	330,407	59.0
Liquid sulphur dioxide	11,977	4,753	152.0
Copper products processing services ⁽²⁾	19,204	15,810	21.5

Notes:

- (1) The production volumes of all the products are on a contained-copper basis, except for cobalt contained in cobaltous hydroxide, sulfuric acid and liquid sulphur dioxide.
- (2) The copper products processing services refer to the processing and production of copper products by the Group's smelters as entrusted by the external enterprises and the Group receives processing fees from these enterprises.
- (3) Among the above copper products, production volume of copper by self-owned mine are as follows:

	Production volume for the six months ended 30 June 2021 (Tonnes)	Production volume for the six months ended 30 June 2020 (Tonnes)
Blister copper and copper anodes produced by self-owned mine	42,085	17,486
Copper cathodes produced by self-owned mine	22,941	22,980
Total	65,026	40,466

EXPLORATION, DEVELOPMENT AND MINING COST OF THE GROUP

Expenses of exploration, development and mining activities of the Group for the six months ended 30 June 2021 are set out below:

	NFCA			Luanshya			SML		Kambove Mining		
	Chambishi Main Mine	Chambishi Southeast Mine	Baluba Center Sulphide Mine	Muliashi North Mine	Baluba East Mine	Mwambashi Mine	Exploration right 27089		Main Mine	West Mine	Total
<i>Unit: Million US dollars</i>											
Exploration activities											
<i>Including:</i>											
– Drilling	0.79	0.80	0.24	0.02	-	-	0.04		-	2.02	3.91
– Analysis	0.09	0.10	-	-	-	-	-		-	0.05	0.24
– Others	-	-	-	-	-	-	0.02		-	0.05	0.07
Sub-total	0.88	0.90	0.24	0.02	-	-	0.06		-	2.12	4.22
Development activities											
(including mine construction)											
<i>Including:</i>											
– Purchases of assets and equipment	-	-	-	-	-	-	-		56.25	-	56.25
– Civil work for construction of tunnels and roads	-	-	-	-	-	-	-		2.51	-	2.51
– Staff cost	-	-	-	-	-	-	-		1.14	-	1.14
– Others	5.33	14.94	-	5.30	-	-	-		12.79	-	38.36
Sub-total	5.33	14.94	-	5.30	-	-	-		72.69	-	98.26

	NFCA		Luanshya			SML		Kambove Mining	
	Chambishi Main Mine	Chambishi Southeast Mine	Baluba Center Sulphide Mine	Mulishi North Mine	Baluba East Mine	Mwambashi Mine	Exploration right 27089	Main Mine	West Mine
<i>Unit: Million US dollars</i>									Total
Mining activities (excluding ore processing)									
<i>Including:</i>									
– Staff cost	1.34	3.18	0.88	0.07	-	-	-	-	5.47
– Consumables	4.69	15.42	1.12	0.29	0.13	-	-	-	21.65
– Fuel, electricity, water and other services	4.98	4.01	3.61	12.90	-	-	-	-	25.50
– On-site and remote system management	-	-	-	-	-	-	-	-	-
– Non-income taxes, royalties and other expenses	-	-	6.07	11.85	1.18	-	-	-	19.10
– Depreciation	3.61	21.4	1.19	6.53	0.12	-	-	-	32.85
– Sub-contracting charges	21.36	23.49	8.42	13.86	1.53	2.79	-	-	71.45
– Transportation charges	-	-	-	-	-	-	-	-	-
– Others	0.64	0.74	-	-	-	-	-	-	1.38
Sub-total	36.62	68.24	21.29	45.50	2.96	2.79	-	-	177.40

PROJECTS IN PROGRESS

Kambove Mining

Kambove Main Mine Leach Copper Smelting Project (formerly known as: The Integrated Exploration and Construction Project of Kambove Main Mine)

The project, which is currently under construction, has a designed annual capacity of 990,000 tonnes of ores, 28,000 tonnes of copper cathodes and 978 tonnes of cobalt contained in cobaltous hydroxide, with a total of planned investment amount of US\$238 million. As at 30 June 2021, the stripping volume of the infrastructure of completed strip mine amounted to 7,620,000 m³, representing 88% of the total project area; civil engineering, equipment installation, single unit trial run and load-free (with water) linkage trial run for the main ore process system in the leach plant have been basically completed, and equipment installation and commissioning for the general step-down station and the NRC power station in the external power supply system have been basically completed. Work on the tailings treatment system and the cobalt precipitation system is progressing smoothly, and 85% of the total work has been completed. The first batch of ore was introduced into the Kambove Mining on 18 August 2021 to perform load commissioning tests on the ball mills and other processing equipment. The project is planned to be fully completed and put into operation on 30 September 2021.

FINANCIAL REVIEW

Results of Operations

The following table sets forth sales volume, average selling price, revenue and percentage contribution to total revenue of the Group's products and service for the periods indicated.

	For the six months ended 30 June							
	2021		% of Total Revenue		2020		% of Total Revenue	
	Sales Volume ⁽¹⁾	Average Selling Price (US\$ per tonne)			Sales Volume ⁽¹⁾	Average Selling Price (US\$ per tonne)		
	(Tonnes)		(US\$'000)	(%)	(Tonnes)		(US\$'000)	(%)
Blister Copper and copper anodes	182,970	8,496	1,554,500	73.7	121,396	5,062	614,514	65.2
Copper cathodes	56,790	8,245	468,213	22.1	53,689	5,046	270,934	28.7
Sulfuric acid	393,818	160	62,915	3.0	197,304	240	47,349	5.0
Liquid sulphur dioxide	11,998	804	9,652	0.5	4,698	980	4,603	0.5
Cobalt contained in cobaltous hydroxide	211	31,621	6,672	0.3	29	21,241	616	0.1
Copper products processing services ⁽²⁾	14,982	508	7,605	0.4	15,810	300	4,746	0.5
Total	<u>660,769</u>		<u>2,109,557</u>	<u>100.0</u>	<u>392,926</u>		<u>942,762</u>	<u>100.0</u>

Notes:

- (1) The sales volumes of the products of Blister Copper and copper anodes, Copper cathodes are on a contained-copper basis.
- (2) The copper products processing services refer to the processing and production of copper products by the Group's smelters as entrusted by the external enterprises and the Group receives processing fees from these enterprises.

Revenue

The revenue of the Group increased by 123.8% from US\$942.8 million in the first half of 2020 to US\$2,109.6 million in the first half of 2021, primarily attributable to the year-on-year increase in sales and global copper price.

The revenue from sales of blister copper and copper anodes increased by 153.0% from US\$614.5 million in the first half of 2020 to US\$1,554.5 million in the first half of 2021, primarily attributable to the year-on-year increase in sales and global copper price.

The revenue from sales of copper cathodes increased by 72.8% from US\$270.9 million in the first half of 2020 to US\$468.2 million in the first half of 2021, primarily attributable to the year-on-year increase in sales and global copper price.

The revenue from sales of sulfuric acid increased by 33.0% from US\$47.3 million in the first half of 2020 to US\$62.9 million in first half of 2021, primarily attributable to the increase in sales volume of sulfuric acid as compared with the same period last year.

The following table sets forth the cost of sales, unit cost of sales, gross profit and gross profit margin of the products and service of the Group for the periods indicated.

	For the six months ended 30 June							
	2021				2020			
	Cost of Sales	Unit Cost of Sales	Gross Profit	Gross Profit Margin	Cost of Sales	Unit Cost of Sales	Gross Profit	Gross Profit Margin
	(US\$'000)	(US\$ per tonne)	(US\$'000)	(%)	(US\$'000)	(US\$ per tonne)	(US\$'000)	(%)
Blister copper and copper anodes	1,234,072	6,745	320,428	20.6	570,265	4,697	44,249	7.2
Copper cathodes	223,217	3,931	244,996	52.3	165,809	3,088	105,125	38.8
Sulfuric acid	18,824	48	44,091	70.1	9,171	46	38,178	80.6
Liquid sulphur dioxide	2,320	193	7,332	76.0	188	40	4,415	95.9
Cobalt contained in cobaltous hydroxide	3,392	16,076	3,280	49.2	482	16,621	134	21.8
Copper products processing services ^{(1), (2)}	9,170	612	(1,565)	-20.6	1,267	80	3,479	73.3
Total	<u>1,490,995</u>		<u>618,562</u>	29.3	<u>747,182</u>		<u>195,580</u>	20.7

Notes: (1) The copper products processing services refer to the processing and production of copper products by the Group's smelters as entrusted by the external enterprises and the Group receives processing fees from these enterprises.

(2) The Group also receives sulfuric acid as a by-product of copper products while providing copper products processing services, which generates a gross profit of US\$5,706,000. In total, the consolidated gross profit for the copper products processing services was US\$4,141,000.

Cost of sales

The cost of sales of the Group increased by 99.5% to US\$1,491.0 million in the first half of 2021 from US\$747.2 million in the first half of 2020, primarily due to the increase in raw material cost of copper concentrates and oxide ore resulting from the year-on-year increase in the sales volume of products and the increase of the global copper price.

The cost of sales of blister copper and copper anodes increased by 116.4% from US\$570.3 million in the first half of 2020 to US\$1,234.1 million in the first half of 2021, primarily due to the increase in raw material cost of copper concentrates resulting from the year-on-year increase in the sales volume of blister copper and copper anodes and the increase in global copper price.

The cost of sales of copper cathodes increased by 34.6% from US\$165.8 million in the first half of 2020 to US\$223.2 million in the first half of 2021, primarily due to the increase in raw material cost of oxide ore resulting from the increase in global copper price and the year-on-year increase in the sales volume of copper cathodes.

The cost of sales of sulfuric acid increased by 104.3% from US\$9.2 million in the first half of 2020 to US\$18.8 million in the first half of 2021 primarily due to the significant year-on-year increase in the sales volume of sulfuric acid.

Gross profit and gross profit margin

Due to the above factors, the Group recorded a gross profit of US\$618.6 million in the first half of 2021, representing an increase of 216.3% from US\$195.6 million in the same period of 2020. The gross profit margin increased from 20.7% in the first half of 2020 to 29.3% in the first half of 2021, which was mainly attributable to the increase of global copper price as compared with the same period last year.

Distribution and selling expenses

The distribution and selling expenses of the Group increased by 65.2% from US\$26.4 million in the first half of 2020 to US\$43.6 million in the first half of 2021, primarily due to the increase in transportation charges resulting from the year-on-year increase in sales of products.

Finance costs

The finance costs of the Group increased by 30.4% from US\$13.8 million in the first half of 2020 to US\$18.0 million in the first half of 2021, primarily due to part of interest expenses are no longer capitalised as some projects were put into production.

Other gains and losses

In terms of other gains and losses, the Group recorded a net gain of US\$18.0 million in the first half of 2021, increased by US\$78.2 million from the net loss of US\$60.2 million in the first half of 2020, which was primarily due to the year-on-year substantial decrease in the exchange loss on input VAT receivable and the gain, which was loss in the same period last year, derived from change in fair value of financial instruments.

Income tax expense

The income tax expense of the Group increased by 705.8% from US\$22.6 million in the corresponding period of 2020 to US\$182.1 million in the first half of 2021, primarily due to the significant year-on-year increase in profit.

Profit attributable to owners of the Company

Due to the aforementioned factors, profit attributable to owners of the Company increased by 914.9% from US\$23.5 million in the first half of 2020 to US\$238.5 million in the first half of 2021.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Net cash generated from operating activities

Net cash generated from the operating activities of the Group was US\$369.7 million in the first half of 2021, which increased by US\$300 million from US\$69.7 million in the first half of 2020, mainly attributable to the increase in profit as a result of the increase in copper prices and sales volume of products during the period.

Net cash used in investing activities

The net cash used in investing activities of the Group was US\$82.9 million in the first half of 2021, which increased by US\$15.7 million from US\$67.2 million in the first half of 2020, mainly attributable to the increase in investment in fixed assets during the period.

Net cash generated from financing activities

The net cash generated from financing activities of the Group was US\$56.6 million in the first half of 2021, which decreased by US\$39.8 million from US\$96.4 million in the first half of 2020, mainly attributable to the increase in the repayments of bank and other borrowings during the period.

Bank balances and cash

The Group's bank balances and cash (including cash and demand deposits) increased by US\$343.4 million from US\$497.8 million as at 31 December 2020 to US\$841.2 million as at 30 June 2021.

Trade receivables at amortised cost/trade receivables at FVTPL

As at 30 June 2021, the Group recorded trade receivables at amortised cost of US\$22.1 million and trade receivables at FVTPL of US\$691.3 million. The trade receivables at FVTPL were the trade receivables arising from the sale of copper products under provisional pricing arrangements. The aggregate trade receivables amounted to US\$713.4 million, which increased by US\$465.0 million from US\$248.4 million as at 31 December 2020, primarily attributable to the increase in sales volume of unsettled copper products and the increase of the global copper price.

Inventories

Inventories held by the Group decreased by 64.5 million from US\$671.4 million as at 31 December 2020 to US\$606.9 million as at 30 June 2021, primarily due to the decrease in stocks of raw materials.

Trade payables/trade payables designated at FVTPL

As at 30 June 2021, the Group recorded trade payables of US\$260.4 million and trade payables designated at FVTPL of US\$401.9 million. The trade payables designated at FVTPL were the trade payables arising from the purchase of copper concentrates under provisional pricing arrangements. The aggregate trade payables amounted to US\$662.3 million, which increased by US\$237.4 million from US\$424.9 million as at 31 December 2020, primarily due to the increase in purchase volume of unsettled copper concentrates and the increase of copper price.

CAPITAL EXPENDITURE

	For the six months ended 30 June	
	2021	2020
	(US\$'000)	(US\$'000)
	(Unaudited)	(Unaudited)
Mining and ore processing facilities at Chambishi		
Southeast Mine of NFCA	22,416	29,355
Other mining and ore processing facilities at NFCA	2,825	1,850
Mining and ore processing facilities at Luanshya		
(Baluba East Mine)	–	7,114
Mining and ore processing facilities at		
Luanshya (Roan Mine)	1,481	–
Mining and leaching facilities at		
Luanshya (Muliashi Project)	3,928	–
Other facilities at Luanshya	135	434
Smelting facilities at CCS	1,356	6,149
Leaching facilities at Chambishi Leach Plant	677	533
Leaching facilities at CNMC Huachin Leach Project	1,928	11,104
Leaching facilities at Mabende Project	804	4,025
Smelting facilities at Lualaba Copper Smelter	2,565	1,267
Mining and ore processing facilities at Kambove		
Mining	83,169	37,617
Other facilities at Luano Project	110	920
	<hr/>	<hr/>
Total	121,394	100,368

The total capital expenditure of the Group increased by US\$21.0 million from US\$100.4 million in the first half of 2020 to US\$121.4 million in the first half of 2021, primarily due to the increase in the investment in Mining and ore processing facilities at Kambove Mining.

MARKET RISK DISCLOSURE

In the ordinary course of business, the Group's market risks mainly comprise commodity price risk, foreign exchange risk and interest rate risk.

Commodity price risk

The Group's commodity price risk mainly represents the exposure to fluctuations in the market price of copper which affect the prices of the major commodities purchased, produced and sold by the Group. To mitigate this risk, the Group has entered into copper futures contracts and provisional price arrangement to manage and forecast its sales of copper products, and to forecast purchase of copper concentrates, inventories and the risk relating to the Group's commitment to sell its copper products.

Foreign currency exchange risk

The Group operates its business in Zambia and the DRC and most of its businesses in the past were settled in US dollar, its functional currency, while certain businesses were settled in currencies other than its functional currency (mainly Zambia Kwacha, or ZMK, CDF, currency of the DRC and Renminbi, or RMB), which exposed the Group to foreign currency risk. To mitigate such risk, the Group engaged in foreign currency exchange hedging activities through various methods including locking the signing and settlement currency and speeding up tax rebates.

Interest rate risk

The Group is exposed to interest rate risk of cash flow under the impact of interest rates changes of interest-bearing financial assets and liabilities which mainly include interest-bearing restricted bank balances, bank deposits, bank balances, bank and other borrowings at variable interest rates. The Group currently does not have any interest rate hedging policy. However, the Directors will consider hedging significant interest rate risk should the need arise.

EMPLOYEE INFORMATION

As at 30 June 2021, the Group had 8,553 employees, which comprised 880 Chinese employees and 7,673 local employees in Zambia and the DRC. The total cost of employees incurred by the Group for the six months ended 30 June 2021 was approximately US\$54.75 million (for the six months ended 30 June 2020: US\$54.4 million).

FUTURE PROSPECTS

The impact of the COVID-19 pandemic on global economic development is far-reaching, the instabilities and imbalance of the recovery of the world economy significantly increase, and the level of inflation in major economies remains high. Although the situation is still complicated and severe, international agencies tend to be optimistic towards the prospect of global economy. From the perspective of the world, the international community is strengthening cooperation, cementing confidence and striving to respond to the normalization of the COVID-19 pandemic prevention and control, to promote the continuous recovery of the global economy. From the perspective of the industry, in order to cope with the global climate change and protect the ecological environment, the new energy industry develops rapidly, which will stimulate the demand for non-ferrous metals, and bring in new development opportunities for the mining industry. Copper and cobalt, as the basic metals widely used in the new energy sector, will inevitably obtain long-term development prospects with the development of green, low-carbon and recycling economy, as well as the continuous implementation of “Dual Carbon” strategy.

Under the guidance of the development concept of “Innovation, Coordination, Green, Opening-up and Sharing”, the Group will continue to do well in resource development and various production and operation. On the basis of continuously satisfying targets and standards, the NFCA Southeast Mine is conducting feasibility study on the recycling of cobalt; subsequently, it will promote the infrastructure stripping for Mashiba Mine of Luanshya, the infrastructure stripping for Roan Ext. Mine (including Roan Ext. East Mine, Roan Ext. West Mine) and the infrastructure stripping for Baluba Center Strip Mine. Kambove Main Mine Leach Copper Smelting Project (formerly known as: The Integrated Exploration and Construction Project of Kambove Main Mine) has basically achieved the target of trial run, and the trial production is expected to be conducted in the second half of 2021. Lualaba Copper Smelter has entered into long-term contracts with Kamo Copper S.A., to ensure the supply of raw materials for copper concentrate in the future; accelerates the trial production of copper and cobalt alloy production system, improves the comprehensive capacity for recycling of valuable metals, and maximizes the recycling of cobalt alloy, a by-product in copper concentrate. The promotion and implementation of above projects will further release the production capacity of the Group and create a new profit growth point. At the same time, the Group attaches high importance to environmental protection and the sustainable utilization of the resources, strictly abides by the employment and governance practices, strives to improve the service conditions for employees, ensures the safety and efficiency of production, and meanwhile gives consideration to the interests of suppliers and the community and other stakeholders, to achieve win-win cooperation and harmonious development.

OTHER INFORMATION

General Information

The Company was incorporated in Hong Kong on 18 July 2011 and its shares are listed on The Stock Exchange of Hong Kong Limited. The Company’s parent and ultimate holding company are China Nonferrous Mining Development Limited (“**CNMD**”), incorporated in the British Virgin Islands, and China Nonferrous Metal Mining (Group) Co., Ltd* (“**CNMC**”), which is wholly owned by State-owned Assets Supervision and Administration Commission of the State Council and is incorporated in the People’s Republic of China, respectively.

The registered office of the Company is located at Unit 1303, 13/F., Austin Tower, 22–26 Austin Avenue, Tsimshatsui, Hong Kong, and its principal places of business are located at 32 Enos Chomba Road, Kitwe, Zambia and Lubumbashi, Katanga Province, Congo (DRC), respectively.

* *Translation of English term for reference purpose only*

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in exploration of copper/cobalt metal, mining, ore processing, leaching, smelting and sale business of copper cathodes, copper anodes, blister copper, copper-cobalt alloy, cobalt contained in cobaltous hydroxide and sulfuric acid. The condensed consolidated financial statements are presented in United States dollars, which is also the functional currency of the Company and the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, none of the Directors or chief executives had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or interests and short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests and short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as stipulated in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the reporting period, the Company or any of its subsidiaries did not make any arrangements to enable any Directors or their respective spouse or minor children to obtain benefits by means of the acquisition of shares of the Company or other body corporates.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, so far as it is known to the Directors and the chief executive of the Company, interests or short positions which shall be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Long positions in Shares:

Substantial Shareholder	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholdings
CNMD	Registered owner	2,600,000,000	69.54%
CNMC	Interest in a controlled corporation	2,600,000,000	69.54%

Note: CNMD is a wholly-owned subsidiary of CNMC and therefore, according to the SFO, CNMC is deemed or taken to be interested in all the Shares which are owned by CNMD.

Save as disclosed above, as at 30 June 2021, no other person had any interests or short positions in the Shares or underlying Shares of the Company which was required to be recorded in the register pursuant to section 336 of the SFO.

As at 30 June 2021, each of the following entities was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Member of the Group	Entity with 10% or more interest (other than member of the Group)	Percentage of that entity's interest
NFCA	Zambia Consolidated Copper Mines Investments Holdings Plc (“ZCCM-IH”)	15%
Luanshya	ZCCM-IH	20%
CCS	Yunnan Copper Industry (Group) Co., Ltd* (雲南銅業集團有限公司)	40%
SML	Hong Kong Zhongfei Mining Investment Limited (“Hong Kong Zhongfei”)	30%
Huachin Leach	Huachin SARL	32.5%
CNMC Huachin Mabende	Huachin SARL	35%
CNMHK	Hong Kong Zhongfei	30%
Kambove Mining	La Generale des Carrieres et des Mines SA	45%
Lualaba Copper Smelter	Yunnan & Hongkong Metal Company Limited	38%
Kingsail Limited	Yunnan & Hongkong Metal Company Limited	40%

Save as disclosed above, as at 30 June 2021, no other persons were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

None of the Directors had engaged in any business which competes or may compete directly or indirectly with the business of the Group for the six months ended 30 June 2021.

* Translation of English term for reference purpose only

CORPORATE GOVERNANCE

Mr. Jinjun ZHANG was appointed as the Chairman of the Board on 8 January 2021, and continued to serve as the President of the Company. Save as that Mr. Jinjun ZHANG serves as the Chairman and President of the Company with effect from 8 January 2021 which is at variance with code provision A.2.1 of the CG Code (as defined below), none of the Directors is aware of any information which would reasonably indicate that the Company has not, for the six months ended 30 June 2021, complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) contained in Appendix 14 to the Listing Rules.

The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced talents with a sufficient number of Directors being independent non-executive Directors, and therefore, the performance of the roles of the Chairman of the Board and the President of the Company concurrently by Mr. Jinjun ZHANG will not impair the balance of power and authority between the Board and the management of the Company and the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance. As to the deviation from code provision A.2.1 of the CG Code, the Board will continue to review the current structure from time to time and shall make necessary changes when appropriate and inform the shareholders accordingly.

CHANGES IN THE INFORMATION OF THE DIRECTORS

Since 28 April 2021 (the date of publication of the 2020 Annual Report), there has been no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and paragraph C3 of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules (the “**Audit Committee**”). The primary duties of the Audit Committee are to supervise the financial reporting process and internal control and risk management systems of the Group. Members of the Audit Committee are Mr. Yaoyu TAN, a non- executive Director, and Mr. Jingwei LIU and Mr. Huanfei GUAN, independent non- executive Directors. The Audit Committee has reviewed the Group’s unaudited condensed financial statements for the six months ended 30 June 2021 and was of the opinion that such unaudited condensed financial statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that disclosures had been made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (“**Model Code**”). The Company had also made specific enquiries to all Directors and confirmed that all of them complied with the Model Code throughout the six months ended 30 June 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities throughout the six months ended 30 June 2021.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As at the date of this interim results announcement, there were no significant events in relation the Group after the reporting period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.cnmccl.net) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2021 which sets out all information required under the Listing Rules, will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
China Nonferrous Mining Corporation Limited
Jinjun ZHANG
Chairman

Beijing, 30 August 2021

As at the date of this announcement, the Board comprises Mr. Jinjun ZHANG and Mr. Chunlai WANG as executive Directors; Mr. Yaoyu TAN as non-executive Director; and Mr. Dingfan QIU, Mr. Jingwei LIU and Mr. Huanfei GUAN as independent non-executive Directors.