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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)

**REVISION OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS**

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



RAINBOW CAPITAL (HK) LIMITED
宏博資本有限公司

Reference is made to the announcement of the Company dated 30 October 2020 and the circular of the Company dated 20 November 2020 in respect of the renewal of the continuing connected transactions under the 2020 Framework Agreements between the Company and (i) Yunnan Copper Group in relation to the sale of copper products; (ii) CNMC in relation to the sale of copper products; (iii) CNMC in relation to the comprehensive mutual supply of raw materials, products and services; (iv) Huachin in relation to the sale of copper products.

Proposed Revision of Annual Caps under the 2020 Yunnan Copper Supply Framework Agreement

Taking into account the impact of factors such as the expected increase in copper price, the Directors expect that the existing annual caps under the 2020 Yunnan Copper Supply Framework Agreement for the three years ending 31 December 2023 will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Proposed Revision of Annual Caps under the 2020 CNMC Copper Supply Framework Agreement

Taking into account the impact of factors such as the expected increase in copper price, the Directors expect that the existing annual caps under the 2020 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2023 will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Proposed Revision of Annual Caps under the 2020 Mutual Supply Framework Agreement

Given that the mining and stripping project expenses of Kambove Mining is expected to increase, the Company anticipates to increase its procurement of raw materials, products and services from the CNMC Group in order to satisfy the needs of Kambove Mining. In addition, the expected increase in purchases of new copper concentrate of CCS, the increase in the transportation service fee of sulfuric acid, the rise in the purchase price of electricity supply services caused by the increase in electricity prices and the increase in the cost of medicine and services in relation to pandemic prevention as result of the pandemic prevention and control will lead to an increase of the Group's expenses in procurement of raw materials, products and services from the CNMC Group. The Directors expect that with such increase, the existing annual caps for the procurement of raw materials, products and services from the CNMC Group under the 2020 Mutual Supply Framework Agreement will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Cobalt is a by-product of NFCA, CCS, Lualaba Copper Smelter, Huachin Leach and Kambove Mining. According to the impact of the increase in the cobalt price as forecasted by the institution, the Directors expect that the existing annual caps for the supply of raw materials, products and services to the CNMC Group under the 2020 Mutual Supply Framework Agreement for the three years ending 31 December 2023 will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Proposed Revision of Annual Caps under the 2020 Huachin Copper Supply Framework Agreement

Taking into account the impact of factors such as the expected increase in copper price, the Directors expect that the existing annual caps under the 2020 Huachin Copper Supply Framework Agreement for the three years ending 31 December 2023 will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

LISTING RULES IMPLICATIONS

As Yunnan Copper Group owns an aggregate of 40% of the issued share capital of CCS (a subsidiary of the Company), therefore Yunnan Copper Group is a connected person of the Company at the subsidiary level for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2020 Yunnan Copper Supply Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios of the proposed revised annual caps in respect of the transactions contemplated under the 2020 Yunnan Copper Supply Framework Agreement exceed 5%, such transactions and the proposed revised annual caps for such transactions for each of the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, given that the Board has approved the transactions and the proposed revision of annual caps for such transactions under the 2020 Yunnan Copper Supply Framework Agreement and the independent non-executive Directors have confirmed that the terms of the transactions and the proposed revision of annual caps for such transactions are fair and reasonable, the transactions are on normal commercial terms or better, and the transactions are in the interests of the Company and its Shareholders as a whole. Therefore, the transactions and the proposed revisions of annual caps for such transactions are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company, CNMC is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios of the proposed revised annual caps in respect of the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement exceed 5%, such transactions and the proposed revised annual caps for such transactions for each of the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Huachin is wholly-owned by an associate of Mr. Siu Kam NG and Mr. Siu Kam NG is a director of Huachin Leach and CNMC Huachin Mabende, each a subsidiary of the Company, and indirectly owns 32.5% and 35% equity interests in Huachin Leach and CNMC Huachin Mabende, respectively, Mr. Siu Kam NG is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2020 Huachin Copper Supply Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. As the highest of all the applicable percentage ratios of the proposed revision of annual caps in respect of the transactions contemplated under the 2020 Huachin Copper Supply Framework Agreement exceeds 5%, such transactions and the proposed revised annual caps for such transactions for each of the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, given that the Board has approved the transactions under the 2020 Huachin Copper Supply Framework Agreement and the proposed revision of annual caps for such transactions and the independent non-executive Directors have confirmed that the terms of the transactions and the proposed revision of annual caps for such transactions are fair and reasonable, the transactions are on normal commercial terms or better and in the ordinary course of business of the Group are the transactions are in the interests of the Company and its Shareholders as a whole, and therefore, the transactions and the proposed revisions of annual caps for such transactions are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

APPROVAL BY INDEPENDENT SHAREHOLDERS

As CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company through CNMD, CNMD and its associates will abstain from voting in relation to the resolutions approving the proposed revision of annual caps of the transactions under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement at the EGM.

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the proposed revision of annual caps of the transactions under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement, and Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same. A circular containing, amongst other things, further information on the proposed revision of annual caps of the transactions under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement, a letter from the Independent Board Committee, an opinion of Rainbow Capital (HK) Limited, the Independent Financial Adviser, together with a circular containing the notice to convene the EGM to approve the proposed revision of annual caps of the transactions under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement, is expected to be despatched to the Shareholders on or before 4 October 2021.

BACKGROUND

The Group is a leading, fast growing and vertically integrated copper producer focusing on mining, ore processing, leaching, smelting and sales of copper, based in Zambia and the DRC. The Group also produces cobalt and sulphuric acid.

Reference is made to the announcement of the Company dated 30 October 2020 and the circular of the Company dated 20 November 2020 each in respect of the renewal of the continuing connected transactions under the 2020 Framework Agreements between the Company and (i) Yunnan Copper Group in relation to the sale of copper products; (ii) CNMC in relation to the sale of copper products; (iii) CNMC in relation to the comprehensive mutual supply of raw materials, products and services; (iv) Huachin in relation to the sale of copper products.

On 30 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into the 2020 Yunnan Copper Supply Framework Agreement with Yunnan Copper Group (for itself and on behalf of its subsidiaries), the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement with CNMC (for itself and on behalf of its subsidiaries) respectively, in respect of transactions, the nature of which is similar to that of the transactions under the respective 2017 Yunnan Copper Supply Framework Agreement, 2017 CNMC Copper Supply Framework Agreement and 2017 Mutual Supply Framework Agreement, and entered into 2020 Huachin Copper Supply Framework Agreement with Huachin in respect of the Huachin Copper Supply Framework. Each of the 2020 Framework Agreements is for a term of three years from 1 January 2021 to 31 December 2023.

During the current term of each of the 2020 Framework Agreements, members of the Group and members of CNMC Group, Huachin Group and Yunnan Copper Group (and its subsidiaries) may respectively enter into separate agreements from time to time in respect of the provision and sale/purchase of the relevant services and goods from the relevant party subject to the terms and conditions set out under the relevant 2020 Framework Agreements.

Due to factors such as the expected increase in copper price, the Directors expect that the existing annual caps under the 2020 Yunnan Copper Supply Framework Agreement for the three years ending 31 December 2023 will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Having also considered the impact of factors such as the expected increase in copper price, the Directors expect that the existing annual caps under the 2020 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2023 will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Given that the mining and stripping project expenses of Kambove Mining is expected to increase, the Company anticipates to increase its procurement of raw materials, products and services from the CNMC Group in order to satisfy the needs of Kambove Mining. In addition, the expected increase in purchases of copper concentrate, the increase in the transportation service fee for the purchase of sulfuric acid, the rise in the purchase price of electricity supply services caused by the increase in electricity prices, and the increase in the cost of medicine and services in relation to pandemic prevention as result of the pandemic prevention and control will lead to an increase of the Group's expenses in procurement of raw materials, products and services from the CNMC Group. The Directors expect that with such increases above, the existing annual caps for the procurement of raw materials, products and services from the CNMC Group under the 2020 Mutual Supply Framework Agreement will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Taking into account of the expected rise of cobalt price, the Directors expect that the existing annual caps for the supply of raw materials, products and services to the CNMC Group under the 2020 Mutual Supply Framework Agreement will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

In view of the impact of factors such as the expected increase in copper price, the Directors expect that the existing annual caps under the 2020 Huachin Copper Supply Framework Agreement for the three years ending 31 December 2023 will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Other details and particulars and the proposed revision of annual caps of the 2020 Framework Agreements are set forth below:

a) 2020 Yunnan Copper Supply Framework Agreement

Parties

- (1) The Company
- (2) Yunnan Copper Group

Nature

Pursuant to the 2020 Yunnan Copper Supply Framework Agreement, the Company agreed to sell, or procure its subsidiaries to sell, copper products including blister copper and copper cathodes to Yunnan Copper Group and its subsidiaries, including Yunnan Copper Industry Co., Ltd.*.

The quantity of each type of copper products to be sold to Yunnan Copper Group is not fixed under the terms of the 2020 Yunnan Copper Supply Framework Agreement but is to be determined and agreed between the relevant parties from time to time. Either party may terminate any specific agreement entered into pursuant to the 2020 Yunnan Copper Supply Framework Agreement (but excluding the 2020 Yunnan Copper Supply Framework Agreement) by giving the other party no less than one month's prior written notice.

The Company is not required to sell a minimum amount or any particular type of copper products to Yunnan Copper Group.

Pricing basis

The consideration of the copper products sold will be determined with reference to the prevailing market price of the copper products at the time of each specific agreement to be entered into pursuant to the 2020 Yunnan Copper Supply Framework Agreement. Such market price refers to (in order of sequence) (i) the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange; or (ii) the monthly moving average price or the monthly average settlement price of copper quoted on the Shanghai Futures Exchange; or (iii) when the market price of copper products could not be adequately reflected through (i) and (ii) at the place of sale or the receiving market, the price reasonably determined by both parties after making reference to the monthly average selling price of copper at the place of sale or the receiving market. Such price will be determined by making reference to the selling price charged by other renowned mining companies at the place of sale or receiving market, and a recognized copper stock index that is comparable to the London Metal Exchange or the Shanghai Futures Exchange, such as Tianjin Precious Metals Exchange or COMEX.

The Group has not encountered in the past the situation when the quoted price of London Metal Exchange and/or the Shanghai Futures Exchange cannot reflect the local market price.

Historical transaction amounts

The table below sets forth the historical transaction amount of the transactions under the 2017 Yunnan Copper Supply Framework Agreement for the year ended 31 December 2020 and the existing annual cap for the year ended 31 December 2020, the historical transaction amounts of the transactions for the six months ended 30 June 2021 and the annual cap for the year ending 31 December 2021 under the 2020 Yunnan Copper Supply Framework Agreement:

For the year ended 31 December 2020	Annual cap for the year ended 31 December 2020	For the six months ended 30 June 2021 (unaudited)	Annual cap for the year ended 31 December 2021
<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>
554,215,000 <i>(Note 1)</i>	1,230,000,000	375,347,284	869,400,000

Note 1: this represents 45.06% of the annual cap for the year ended 31 December 2020.

So far as the Directors are aware, the existing annual cap for the year ending 31 December 2021 has not been exceeded as at the date of this announcement.

Currently, the copper products are charged in accordance with the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange.

The table below sets forth the historical production volume of blister copper and copper anodes by the Company and the actual sales volume of blister copper and copper anodes to Yunnan Copper Group:

	For the year ended 31 December		
	2018	2019	2020
Production volume	220,479 tonnes	234,837 tonnes	257,219 tonnes
Sales volume	56,041 tonnes	73,269 tonnes	83,866 tonnes
Percentage of sales	25.42%	31.20%	32.60%

Proposed revision of annual caps and basis of determination

The existing annual caps and the proposed revised annual caps for the on-going transactions contemplated under the 2020 Yunnan Copper Supply Framework Agreement for the three years ending 31 December 2023 and the basis of determination of such annual caps are set out as follows:

For the year ending 31 December					
2021 (US\$)		2022 (US\$)		2023 (US\$)	
Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap
869,400,000	1,449,000,000	972,700,000	1,617,000,000	986,400,000	1,932,000,000

The proposed revised annual caps above were determined by reference to factors such as (i) the Group's estimated copper production capacity and volume; (ii) estimated demand for copper products by Yunnan Copper Group from the Group; and (iii) reasonable expected price range for the copper products provided by the Group for the three years ending 31 December 2023.

The production volume of blister copper and copper anodes of the Group is approximately 386kt, 424kt and 439kt, respectively, in each of the three years ending 31 December 2023. The Group expects to sell approximately 138kt, 154kt and 184kt of blister copper and copper anodes to Yunnan Copper Group for the three years ending 31 December 2023, respectively. The percentage of the sales volume of blister copper and copper anodes to Yunnan Copper Group for each of the three years ending 31 December 2023 is expected to be 35.74%、36.36% and 41.96%, respectively.

The annual caps above are determined on the basis that the forecasted copper price will be around US\$10,500 per tonne for each of the three years ending 31 December 2023, representing an increase of 52.17%, 47.89% and 45.83%, respectively, as compared to the previous forecast of around US\$6,900 per tonne, US\$7,100 per tonne and US\$7,200 per tonne, respectively, for each year.

Payment terms

The payment terms are as agreed and detailed in the individual agreements.

In relation to the sale of copper products to Yunnan Copper Group, the payment terms are determined on a Free Carrier (FCA) basis (that is, the Group is required to deliver the copper products to the carrier at the Group's plants and the transportation cost and risks are transferred to Yunnan Copper Group after delivery to the carrier). Yunnan Copper Group will make advance payment for a portion of copper products and the remaining balance will be paid by wire transfer. The Directors are of the view that such payment terms are in line with market practice and the payment terms with the Company's Independent Third Party customers.

Reasons for and benefit of entering into the 2020 Yunnan Copper Supply Framework Agreement

The Group continues to sell copper products to Yunnan Copper Group and its subsidiaries and continues to supply such products to Yunnan Copper Group for its business needs. The Directors consider that the 2020 Yunnan Copper Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the sales of copper products to Yunnan Copper Group can further enhance the business opportunities of the Group, broaden the revenue base of the Group and increase the capacity utilization level of the Group.

Listing Rules Implications

Pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to revise the existing annual caps for its continuing connected transactions, the Company will have to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions.

As Yunnan Copper Group owns an aggregate of 40% of the issued share capital of CCS (being a subsidiary of the Company), therefore, Yunnan Copper Group is a connected person of the Company at the subsidiary level for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2020 Yunnan Copper Supply Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As one or more of the applicable percentage ratios of the proposed revised annual caps in respect of the transactions contemplated under the 2020 Yunnan Copper Supply Framework Agreement exceed 5%, such transactions and the proposed revised annual caps for such transactions for each of the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, given that the Board has approved the transactions and the proposed revisions of annual caps for such transactions under the 2020 Yunnan Copper Supply Framework Agreement and the independent non-executive Directors have confirmed that the terms of the transactions and the proposed revision of annual caps for such transactions are fair and reasonable, the transactions are on normal commercial terms or better, and the transactions are in the interests of the Company and its Shareholders as a whole, therefore, the transactions and the proposed revisions of annual caps for such transactions are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

b) 2020 CNMC Copper Supply Framework Agreement

Parties

- (1) The Company
- (2) CNMC

Nature

Pursuant to the 2020 CNMC Copper Supply Framework Agreement, the Company agreed to sell, or procure its subsidiaries to sell, copper products including blister copper and copper cathodes to the CNMC Group.

The quantity of each type of copper products to be sold to the CNMC Group is not fixed under the terms of the 2020 CNMC Copper Supply Framework Agreement but is to be determined and agreed between the relevant parties from time to time. Either party may terminate any specific agreement entered into pursuant to the 2020 CNMC Copper Supply Framework Agreement (but excluding the 2020 CNMC Copper Supply Framework Agreement) by giving the other party no less than one month's prior written notice.

The Company is not required to sell a minimum amount or any particular type of copper products to the CNMC Group during the term of this agreement.

Pricing basis

The consideration of the copper products sold will be determined with reference to the prevailing market price of the copper products at the time of each specific agreement to be entered into pursuant to the 2020 CNMC Copper Supply Framework Agreement. Such market price refers to (in order of sequence) (i) the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange; or (ii) the monthly moving average price or the monthly average settlement price of copper quoted on the Shanghai Futures Exchange; or (iii) when the market price of copper products could not be adequately reflected through (i) and (ii) at the place of sale or the receiving market, the price reasonably determined by both parties after making reference to the monthly average selling price of copper at the place of sale or the receiving market. Such price will be determined by making reference to the selling price charged by other renowned mining companies at the place of sale or receiving market, and a recognized copper stock index that is comparable to the London Metal Exchange or the Shanghai Futures Exchange, such as Tianjin Precious Metals Exchange or COMEX.

The Group has not encountered in the past the situation when the quoted price of London Metal Exchange and/or the Shanghai Futures Exchange cannot reflect the local market price.

Historical transaction amounts

The table below sets forth the historical transaction amount of the transactions and the annual cap under the 2017 CNMC Copper Supply Framework Agreement for the year ended 31 December 2020, the historical transaction amount of the transactions for the six months ended 30 June 2021 and the existing annual cap for the year ending 31 December 2021 under the 2020 CNMC Copper Supply Framework Agreement:

For the year ended 31 December 2020	Annual cap for the year ended 31 December 2020	For the six months ended 30 June 2021 (unaudited)	Annual cap for the year ending 31 December 2021
<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>
1,232,558,000 <i>(Note 1)</i>	3,198,000,000	838,098,239	1,904,400,000

Note 1: this represents 38.54% of the annual cap for the year ended 31 December 2020.

So far as the Directors are aware, the annual cap for the year ending 31 December 2021 has not been exceeded as at the date of this announcement.

Currently, the copper products are charged in accordance with the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange.

The table below sets forth the historical production volume of copper cathodes and blister copper of the Group and the actual sales volume to the CNMC Group:

	For the year ended 31 December		
	2018	2019	2020
Production volume of copper cathodes	96,870 tonnes	104,404 tonnes	115,904 tonnes
Production volume of blister copper and copper anodes	220,479 tonnes	234,837 tonnes	257,219 tonnes
Total production volume	319,225 tonnes	339,443 tonnes	373,123 tonnes
Sales volume to CNMC Group	149,030 tonnes	166,531 tonnes	203,001 tonnes
Percentage of sales	46.68%	49.06%	54.41%

Proposed revision of annual caps and basis of determination

The existing annual caps and the proposed revised annual caps for the on-going transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2023 and the basis of determination of such annual caps are set out as follows:

For the year ending 31 December					
2021		2022		2023	
<i>(US\$)</i>		<i>(US\$)</i>		<i>(US\$)</i>	
Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap
1,904,400,000	2,852,745,000	2,179,700,000	3,461,640,000	2,210,400,000	3,622,290,000

The proposed revised annual caps above were determined by reference to factors such as (i) historical transaction amounts and volumes; (ii) the Group's estimated copper production capacity and volume; (iii) estimated growth in the demand for copper products by the CNMC Group from the Group; and (iv) reasonable expected price range for the copper products provided by the Group for the three years ending 31 December 2023.

The Group expects its production volume for copper cathodes to reach approximately 123kt, 148kt and 148kt in the three years ending 31 December 2023, respectively, and the production volume for blister copper and copper anodes to reach approximately 386kt, 424kt and 439kt in each of the three years ending 31 December 2023, respectively. The Group expects to sell approximately 85kt, 102kt and 102kt of copper cathodes and 186kt, 228kt and 243kt of blister copper and copper anodes to the CNMC Group for the three years ending 31 December 2023, respectively.

In aggregate, for each of the three years ending 31 December 2023, the Group expects to increase the production volume of its copper products to 509kt, 572kt and 587kt, respectively, and the Group expects to sell approximately 271kt, 330kt and 345kt of such copper products to the CNMC Group, respectively. The percentage of the sales volume of copper products to the CNMC Group for each of the three years ending 31 December 2023 is expected to be 53.24%, 57.69% and 58.77%, respectively.

The annual caps above are determined on the basis that the forecasted copper price will be around US\$10,500 per tonne for each of the three years ending 31 December 2023, representing an increase of 52.17%, 47.89% and 45.83%, respectively, as compared to the previous forecast of around US\$6,900 per tonne, US\$7,100 per tonne and US\$7,200 per tonne, respectively, for each year.

In view of the shortage of copper supply in the PRC, the CNMC Group has been increasing its orders for the Group's products as the Group increased its production volume over the years. Due to the Group's affiliation with the CNMC Group, the CNMC Group is more willing to, at the Group's request, make advance payments which allows the Group to better manage its working capital. The advance payment made by the CNMC Group thus allows the Group to save on the interest on bank loans which the Group may otherwise have to pay. Further, due to the nature of commodity transactions, the settlement amount is usually relatively high. Consequently, settlement risk is an important consideration. While the independent customers of the Group are carefully selected and based on a number of factors including their creditworthiness, the Company believes that the risk of default by the CNMC Group is even lesser as CNMC is a state-owned enterprise in the PRC.

Even though the CNMC Group has been the largest customer of the Group, there are other major customers of the Group who are Independent Third Parties. The Group believes that each of the independent major customers, or a combination of a few of them, has the capacity to purchase at least a very significant portion of the Group's copper output as they are international trading companies and there have been instances in the past when the Group had to turn down part of their orders due to their demand being greater than the Group's supply capacity. Nevertheless, to minimize customer concentration risk, the Group has diversified its sales to a number of independent major customers as well as sales to customers in Luxemburg, Zambia, the DRC, Switzerland and Singapore. In addition, the Group maintains close commercial relationships with various copper refiners in the PRC, which are customers for blister copper, and downstream copper processing plants, which are customers of copper cathodes. The Company believes that it will be able to sell its products directly to these refiners and copper processing plants upon needs.

Payment terms

The payment terms will be agreed and detailed in the individual agreements. In relation to sale of copper products to the CNMC Group, the payment terms are determined on a Free Carrier (FCA) basis (that is, the Group is required to deliver the copper products to the carrier at the Group's plants and the transportation cost and risks are transferred to the CNMC Group after delivery to the carrier). The CNMC Group will make advance payment for a portion of copper products and the remaining balance will be paid by wire transfer. The Directors are of the view that such payment terms are in line with market practice and the payment terms with the Company's Independent Third Party customers.

Reasons for and benefit of entering into the 2020 CNMC Copper Supply Framework Agreement

Due to the Group's affiliation with the CNMC Group, the CNMC Group is more willing to, at the Group's request, make advance payments instead of issuing letters of credit to the Group. The advance payment made by the CNMC Group thus allows the Group to save on the interest of bank loans which the Group may otherwise have to pay. In the past business dealings with the CNMC Group, the CNMC Group makes prepayment and final payment in time which allows the Group to better manage its working capital.

Further, due to the nature of commodity transactions, the settlement amount is usually relatively high. Consequently, settlement risk is an important consideration. While the independent customers of the Group are carefully selected based on a number of factors including their creditworthiness, the Company believes that the risk of default by the CNMC Group is even lesser as CNMC is a state-owned enterprise in the PRC. CNMC has a good credit standing in copper industry and the Group has developed long term co-operation relationship with the CNMC Group. It has ample capital and strong business capability, which serves to reduce counterparty risks to the Group.

The Group continues to sell copper products to the CNMC Group and continues to supply such products to the CNMC Group for its business needs. The Directors consider that the 2020 CNMC Copper Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the sales of copper products to CNMC Group can further enhance the business opportunities of the Group, broaden the revenue base of the Group and increase the capacity utilization level of the Group.

As CNMC has business developments in the PRC, Zambia, the DRC and other countries, the Group's business dealings with the CNMC Group will help the Group gather business information in those countries, expand its business reach and channels, thus enhancing the business opportunities of the Group.

Listing Rules Implications

Pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to revise the existing annual caps for its continuing connected transactions, the Company will have to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions.

As CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company, therefore CNMC is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios of the proposed revised annual caps in respect of the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement exceed 5%, such transactions and the proposed revised annual caps for such transactions for each of the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

c) 2020 Mutual Supply Framework Agreement

Parties

- (1) The Company
- (2) CNMC

Nature

Pursuant to the 2020 Mutual Supply Framework Agreement,

- (a) both parties agreed to provide, or procure its respective subsidiaries to provide the following to each other:
 - raw material and products supplies, including but not limited to raw materials, construction materials, ancillary materials, spare parts, tools, equipment, fuels, water, electricity, gas and steam, and lease of equipment and vehicles;

- social and support services, including but not limited to public security, employee training, sharing of service, other non-business services, schooling, medical and emergency service, telecommunication, property management and other similar services; and
 - technical services, including but not limited to consultation, design, construction, technical and engineering services, testing and equipment repair, construction and engineering projects supervision;
- (b) and CNMC agreed to provide, or procure its subsidiaries to provide transportation and logistics services to the Group.

Pursuant to the 2020 Mutual Supply Framework Agreement, CNMC has undertaken that it will not, and will procure its subsidiaries not to, provide raw materials, products and services to the Group on terms which are less favourable than those offered to third parties. Each party is entitled to obtain the relevant raw materials, products and services from Independent Third Parties if the other party cannot satisfy its requirements for such raw materials, products and services or the terms offered by Independent Third Parties are more favourable. Each party will provide to the other party on an annual basis an assessment of the raw materials, products and services that it requires in the coming year.

Either party may terminate any specific agreement entered into pursuant to the 2020 Mutual Supply Framework Agreement (but excluding the 2020 Mutual Supply Framework Agreement) by giving the other party no less than one month's prior written notice, provided that if the Company cannot conveniently obtain such raw materials, products and services from a third party, CNMC will not be permitted to terminate and will continue to provide such raw materials, products and services under any circumstances.

Pricing basis

For the sales and purchase of "raw materials and product supplies", it shall be determined according to the market price of the raw materials and products being delivered. If such market price is unavailable, the amount payable will be determined with reference to actual costs plus applicable taxes.

For the provision of "social and support services", it shall be determined either by reference to the price set by similar service providers in the market, or the price agreed between one party and an Independent Third Party for similar services. If such market price is unavailable, the amount payable will be determined with reference to actual costs plus applicable taxes.

For the provision of “technical services”, if there are PRC government prescribed prices, the amount payable will be determined with reference to the published PRC government prescribed prices which are updated by the relevant PRC central or provincial government departments from time to time. If there are no PRC government prescribed prices or when the PRC government prescribed prices is not reflective of the market price at the place of service, the amount will be determined by reference to the price agreed between one party and an Independent Third Party for similar services. In the event a market price is unavailable for similar services, nor were there any transaction price between Independent Third Parties, the amount payable will be determined with reference to actual costs plus applicable taxes. The Ministry of Finance and the Ministry of Land and Resources have jointly published a publication called the Standards for Budget of National Land Resources Survey (國土資源調查預算標準) in July 2007, which includes the Notice of Standards for Budget of National Land Resources Survey (the Section of National Land Resources Survey (Cai Jian No. 52 of 2007) ((國土資源調查預算標準(地質調查部分)的通知(財建[2007]52號)) (the “**Notice**”)). Pursuant to Notice, the reference price (that is, standard of budget) for the technical services in relation to geological survey and exploration, including design, construction, analysis and detection, reporting and other labor and equipment costs is stated. Such standard of budget consists of three parts, namely (a) budget for working methods, (b) budget for comprehensive research and scientific research and (c) regional adjustment coefficient, which are interpreted by the Ministry of Finance and Ministry of Land and Resources. Such Notice published in 2007 is the latest applicable standards, which will be revised by the Ministry of Finance and Ministry of Land and Resources in the future in accordance with the development of social economy and geological survey, application of new technologies, new methods, new techniques and other relevant circumstances. The Company has followed the Notice for its projects.

For the provision of “transportation and logistics services”, it shall be determined either by reference to the price charged by similar service providers in the local market, or the price agreed between a party and Independent Third Party for similar services. If such market price is unavailable, the amount payable will be determined with reference to actual costs plus applicable taxes.

The market price for the abovementioned goods and services is determined by reference to the price at which the same or similar type of raw materials, products and services provided in the same or nearby area is charged by Independent Third Parties in the ordinary course of business at the relevant time; or failing which, the price at which the same or similar type of raw materials, products and services is charged by Independent Third Parties in the ordinary course of business at the relevant time.

Before a specific agreement is entered into, the procurement and sales departments of the Group will make public enquiry with similar good and/or service providers in the market, which are Independent Third Parties, as to the price or fees of the products and services and determine the pricing terms based on the quotations obtained. The procurement and sales departments will generally obtain around two to three quotations from different Independent Third Party goods and/or service providers. The finance and legal departments will review the terms of the specific agreements, focusing on the pricing and payment terms.

The pricing basis of actual costs plus applicable taxes will not include any profit margin. The Directors consider that this pricing basis is beneficial to the Company because the transaction volume for the procurement of raw materials, products and services from the CNMC Group substantially outweighs the transaction volume for the supply of raw materials, products and services to the CNMC Group. The Group will therefore be benefited from this pricing arrangement. In addition, the Group anticipates that substantially all of the supply of raw materials, products and services to the CNMC Group in the future will be charged in accordance with market price with only a few services to be charged on the actual costs plus applicable taxes, therefore on the whole, the transactions will be conducted on no less favourable terms than those available to the Group from Independent Third Parties. To the extent that they are available, the Group will check all the invoices provided by the CNMC Group to ensure that the Group is charged with actual costs plus applicable tax in the event that this pricing basis is adopted. The CNMC Group has given consent to provide all those invoices to the Group for inspection.

Based on the reasons above, the Directors consider that the transactions will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its Shareholders.

Historical transaction amounts

The table below sets forth the historical transaction amount of the transactions under the 2017 Mutual Supply Framework Agreement for the year ended 31 December 2020, the annual cap for the year ended 31 December 2020, the historical transaction amount of the transactions for the six months ended 30 June 2021 and the existing annual cap for the year ending 31 December 2021 under the 2020 Mutual Supply Framework Agreement:

Procurement of raw materials, products and services from the CNMC Group

For the year ended 31 December 2020	Annual cap for the year ended 31 December 2020	For the six months ended 30 June 2021 (unaudited)	Annual cap for the year ending 31 December 2021
<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>
233,896,000 <i>(Note 1)</i>	491,913,000	164,101,081	357,921,851

Note 1: this represents 47.55% of the annual cap for the year ended 31 December 2020.

Supply of raw materials, products and services to the CNMC Group

For the year ended 31 December 2020	Annual cap for the year ended 31 December 2020	For the six months ended 30 June 2021 (unaudited)	Annual cap for the year ending 31 December 2021
<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>
47,196,000 <i>(Note 1)</i>	775,947,000	30,832,436	122,957,000

Note 1: this represents 6.08% of the annual cap for the year ended 31 December 2020.

So far as the Directors are aware, the existing respective annual caps for the procurement of raw materials, products and services from the CNMC Group and the supply of raw materials, products and services to the CNMC Group for the year ended 31 December 2020 and the six months ended 30 June 2021, have not been exceeded as at the date of this announcement.

Currently, the procurement of raw materials, products and services from the CNMC Group as well as the supply of raw materials, products and services to the CNMC Group are charged in accordance with market price. Such market price is determined by reference to the price at which the same or similar type of raw materials, products and services provided in the same or nearby area is charged by Independent Third Parties in the ordinary course of business at the relevant time; or failing which, the price at which the same or similar type of raw materials, products and services is charged by Independent Third Parties in the ordinary course of business at the relevant time.

Proposed revision of annual caps and basis of determination

The Company proposes to increase its procurement of raw materials, products and services from the CNMC Group to satisfy the needs for production development and pandemic prevention and control of Kambove Mining and CCS. Therefore, the Directors expect that with such increase, the existing annual caps for the procurement of raw materials, products and services from the CNMC Group under the 2020 Mutual Supply Framework Agreement will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Cobalt is a by-product of NFCA, CCS, Lualaba Copper Smelter, Huachin Leach and Kambove Mining. According to the changes in the cobalt price as forecasted by the institution, the Group expects that the annual cobalt price from 2021 to 2023 will be approximately US\$64,000 per tonne, US\$72,000 per tonne and US\$78,000 per tonne, respectively, representing an increase of 82.86%, 71.43% and 56.00% as compared with the annual cobalt price of approximately US\$35,000 per tonne, US\$42,000 per tonne and US\$50,000 per tonne of the previous forecasts, respectively.

The existing annual caps for the supply of raw materials, products and services to the CNMC Group under the 2020 Mutual Supply Framework Agreement would not be sufficient due to the increase of cobalt price. The Directors therefore propose to revise the existing annual caps for the supply of raw materials, products and services to the CNMC Group under the 2020 Mutual Supply Framework Agreement.

The existing annual caps and the revised annual caps for the on-going transactions under the 2020 Mutual Supply Framework Agreement for the three years ending 31 December 2023 and the basis of determination of such annual caps are set out as follows:

Procurement of raw materials, products and services from the CNMC Group

For the year ending 31 December					
2021 (US\$)		2022 (US\$)		2023 (US\$)	
Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap
357,921,851	496,731,351	420,847,952	656,017,952	413,906,538	643,796,538

The proposed annual caps above were determined by reference to factors such as (i) historical transaction values and volume; (ii) estimated demands for raw materials, products and services by the Group from the CNMC Group; and (iii) reasonable expected price range for the raw materials, products and services provided by the CNMC Group for the three years ending 31 December 2023.

In particular, the Group has considered its various development and expansion projects for which it plans to procure raw materials, products and services from the CNMC Group. In this regard, the Group has taken into consideration factors such as progress, nature, products and services as well as types of service providers required for each project.

It is currently contemplated that Kambove Mining is expected to increase new construction mining and stripping projects, therefore, the Company will increase the procurement of raw materials, products and services from CNMC Group to meet the development needs of Kambove Mining. At the same time, in order to optimize the raw material structure of copper concentrates for CCS, balance the production dosage and improve the technical and economic indicators, the Company will increase the procurement of copper concentrates with high copper and low sulfur copper content in order to meet the demand for high copper and low sulfur ore for CCS.

In view of the sulfuric acid market conditions in the DRC in recent years, there has been an increase in the number of transactions requiring of selling sulfuric acid by way of transportation and delivery to the factory by CCS, and freight charges for sulfuric acid increased accordingly.

In addition, the increase in the purchase price of electricity supply services caused by the expected increase in electricity prices, and the increase in the purchase expenses of medicine supplies and services as result of the pandemic prevention and control will lead to an increase of the Group's expenses in procurement of raw materials, products and services from the CNMC Group.

Supply of raw materials, products and services to the CNMC Group

For the year ending 31 December					
2021 (US\$)		2022 (US\$)		2023 (US\$)	
Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap
122,957,000	145,514,800	165,521,800	213,158,800	233,285,000	292,346,200

The proposed revised annual caps above were determined by reference to factors such as (i) historical transaction values and volume; (ii) estimated growth in the demand for raw materials, products and services by the CNMC Group from the Group; and (iii) reasonable expected price range for the raw materials, products and services, especially the cobalt provided by the Group for the three years ending 31 December 2023.

The increase in the proposed revised annual caps for the supply of raw materials, products and services to the CNMC Group for the three years ending 31 December 2023 as compared to the existing annual caps is due to the increase in the cobalt price. According to the changes in the cobalt price as forecasted by the institution, the Group expects that the annual cobalt price from 2021 to 2023 will be approximately US\$64,000 per tonne, US\$72,000 per tonne and US\$78,000 per tonne, respectively, representing an increase of 82.86%, 71.43% and 56.00% as compared with the annual cobalt price of approximately US\$35,000 per tonne, US\$42,000 per tonne and US\$50,000 per tonne of the previous forecasts, respectively.

The Directors expect that with such increase, the existing annual caps under 2020 Mutual Supply Framework Agreement for the three years ending 31 December 2023 will not be sufficient for the Group's needs due to the relevant increases. The Directors therefore propose to revise the existing annual caps thereunder.

Payment terms

The payment terms will be agreed and detailed in the individual agreements.

In relation to procurement of raw materials and products from the CNMC Group, the payment terms are determined on a Cost, Insurance and Freight (CIF) basis and payment will be settled by wire transfer upon delivery.

In relation to supply of raw materials and products to the CNMC Group, as supply will be made within Zambia or the DRC so that there will not be any cross-border transaction, payment will be settled upon delivery.

In relation to mutual supply of services, payment will be made in accordance with the service progress.

The Directors are of the view that such payment terms are in line with market practice and the payment terms with the Company's Independent Third Party customers.

Reasons for and benefit of entering into the 2020 Mutual Supply Framework Agreement

The Group continues to procure raw materials, products and services from the CNMC Group and continues to require such raw materials, products and services from the CNMC Group for the business development of the Group. The Directors consider that the 2020 Mutual Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the raw materials and products supplied are in close proximity to the production facilities of the Group and therefore can reduce the Group's production costs and further enhance the profitability of the Group's operations. The services provided by the CNMC Group can also supplement the Group's operation capacity and a better manpower arrangement of the Group can be maintained.

The Group continues to supply raw materials, products and services to the CNMC Group and continues to supply such raw materials, products and services to the CNMC Group for its business needs. The Directors consider that this is consistent with the business and commercial objectives of the Group as the supply of raw materials, products and services to CNMC Group can further enhance the business opportunities of the Group, broaden the revenue base of the Group and increase the capacity utilization level of the Group.

As CNMC has business developments in the PRC, Zambia, the DRC and other countries, the Group's business dealings with the CNMC Group will help the Group gather business information in those countries, expand its business reach and channels, thus enhancing the business opportunities of the Group.

Listing Rules Implications

Pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to revise the existing annual caps for its continuing connected transactions, the Company will have to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions.

As CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company, therefore CNMC is a connected person of the Company for the purpose of the Listing Rules. As one or more of the applicable percentage ratios of the proposed revised annual caps in respect of the transactions contemplated under the 2020 Mutual Supply Framework Agreement exceed 5%, such transactions and the proposed revised annual caps for such transactions for each of the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

d) 2020 Huachin Copper Supply Framework Agreement

Parties

- (1) The Company
- (2) Huachin

Nature

Pursuant to the 2020 Huachin Copper Supply Framework Agreement, the Company agreed to sell, or procure its subsidiaries to sell, copper products such as blister copper and cathodes copper to Huachin Group.

The quantity of each type of Copper Products to be sold to Huachin Group is not stipulated under the terms of the 2020 Huachin Copper Supply Framework Agreement but is to be determined and agreed between the relevant parties from time to time. Either party may terminate any specific agreement entered into pursuant to the 2020 Huachin Copper Supply Framework Agreement (but excluding the 2020 Huachin Copper Supply Framework Agreement itself) by giving the other party no less than one month's written notice.

The Company is not required to sell a minimum amount or any particular type of Copper Products to Huachin Group during the term of the agreement.

Pricing basis

The consideration of the copper products to be sold under the 2020 Huachin Copper Supply Framework Agreement will be determined with reference to the prevailing market price of the Copper Products at the time of each specific agreement to be entered into pursuant to the 2020 Huachin Copper Supply Framework Agreement. Such prevailing market price refers to (in order of sequence) (i) the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange; or (ii) the monthly moving average price or the monthly average settlement price of copper quoted on the Shanghai Futures Exchange; or (iii) when the market price of Copper Products could not be adequately reflected through (i) and (ii) at the place of sale or the receiving market, the price reasonably determined by both parties after making reference to the monthly average selling price of copper at the place of sale or the receiving market. Such price will be determined with reference to the selling price charged by other renowned mining companies at the place of sale or receiving market, and a recognised copper stock index that is comparable to the London Metal Exchange or the Shanghai Futures Exchange, such as Tianjin Precious Metals Exchange or COMEX.

The Group has not encountered in the past the situation when the quoted price of London Metal Exchange and/or the Shanghai Futures Exchange cannot reflect the local market price.

Historical transaction amounts

The table below sets forth the historical transaction amount and the annual cap of the transactions under the Huachin Copper Supply Framework Agreement for the year ended 31 December 2020, the historical transaction amount of the transactions for the six months ended 30 June 2021 and the existing annual cap for the year ending 31 December 2021 under the 2020 Huachin Copper Supply Framework Agreement:

For the year ended 31 December 2020	Annual cap for the year ended 31 December 2020	For the six months ended 30 June 2021 (unaudited)	Annual cap for the year ended 31 December 2021
<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>
7,199,000 <i>(Note 1)</i>	37,000,000	59,187,990	103,500,000

Note 1: this represents 19.46% of the annual cap for the year ended 31 December 2020.

So far as the Directors are aware, the annual cap for the year ending 31 December 2021 has not been exceeded as at the date of this announcement.

Currently, the copper products are charged in accordance with the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange.

The table below sets forth the historical production volume of copper cathodes, blister copper and copper anodes of the Group and the actual sales volume to Huachin Group:

	For the year ended 31 December 2020	For the six months ended 30 June 2021
Production volume of copper cathodes	115,904 tonnes	58,570 tonnes
Production volume of blister copper and copper anodes	257,219 tonnes	172,497 tonnes
Total sales volume	373,123 tonnes	231,067 tonnes
Sales volume to Huachin Group	5,174 tonnes	6,534 tonnes
Percentage of sales	1.39%	2.83%

Proposed revision of annual caps and basis of determination

The existing annual caps and the proposed annual caps for the on-going transactions contemplated by the 2020 Huachin Copper Supply Framework Agreement for the three years ending 31 December 2023 and the basis of determination of such annual caps are set out as follows:

For the year ending 31 December					
2021		2022		2023	
<i>(US\$)</i>		<i>(US\$)</i>		<i>(US\$)</i>	
Existing Annual Cap	Revised Annual Cap	Existing Annual Cap	Revised Annual Cap	Existing Annual Cap	Revised Annual Cap
103,500,000	153,000,000	106,500,000	153,000,000	108,000,000	153,000,000

The above proposed annual caps were determined by reference to factors such as (i) historical transaction values and volumes; (ii) the Group's estimated copper production capacity and volume; (iii) estimate in the demand for copper products by Huachin Group from the Group; and (iv) reasonable expected price range for the copper products provided by the Group for the three years ending 31 December 2023.

In particular, for each of the three years ending 31 December 2023, the Group expects to increase the production volume of its copper products to 509kt, 572kt and 587kt, respectively, and the Group expects to sell 15kt of such copper products to Huachin Group each year. The percentage of the sales volume of copper products to the CNMC Group for each of the three years ending 31 December 2023 is expected to be 2.95%, 2.85% and 2.56%, respectively.

The annual caps above are determined on the basis that the forecasted copper price will be around US\$10,500 per tonne for each of the three years ending 31 December 2023, representing an increase of 52.17%, 47.89% and 45.83%, respectively, as compared to the previous forecast of around US\$6,900 per tonne, US\$7,100 per tonne and US\$7,200 per tonne, respectively, for each year.

Payment terms

The payment terms will be agreed and detailed in the individual agreements. In relation to sale of copper products to Huachin Group, the payment terms are determined on a Free Carrier (FCA) basis (that is, the Group is required to deliver the copper products to the carrier at the Group's plants and the transportation cost and risks are transferred to Huachin Group after delivery to the carrier). Huachin Group will make advance payment for a portion of copper products and the remaining balance will be paid by wire transfer. The Directors are of the view that such payment terms are in line with market practice and the payment terms with the Company's Independent Third Party customers.

Reasons for and benefit of entering into the 2020 Huachin Copper Supply Framework Agreement

Huachin is engaged in the trade of nonferrous metals such as electrolytic copper, copper concentrate and cobalt concentrate, and has a relatively mature sales and marketing system in the DRC. The entering into of an agreement between the Company and the connected party is conducive to the expansion of business lines of the Company in the DRC market, extending customers' choices and improving the stability of product sales of the Company under special circumstances. Therefore, the Directors believe that the entering into of the 2020 Huachin Copper Supply Framework Agreement is conducive to the market expansion of the Group, and is in line with the business and commercial objectives of the Group.

Listing Rules Implications

As at the date of this announcement, Huachin is wholly-owned by an associate of Mr. Siu Kam NG. As Mr. Siu Kam NG is a director of Huachin Leach and Huachin Mabende, each a subsidiary of the Company, and indirectly owns 32.5% and 35% equity interests in Huachin Leach and Huachin Mabende, respectively, Mr. Siu Kam NG is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Therefore, Huachin, being an associate of Mr. Siu Kam NG, is also a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the 2020 Huachin Copper Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the proposed revisions of annual caps in respect of the transactions contemplated under the 2020 Huachin Copper Supply Framework Agreement exceed 5%, such transactions and the proposed revisions of annual caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, given that the Board has approved the transactions and the proposed revisions of annual caps for such transactions under the 2020 Huachin Copper Supply Framework Agreement and the independent non-executive Directors have confirmed that the terms of such transactions and the proposed revision of annual caps for such transactions are fair and reasonable, the transactions are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, and therefore, the transactions and the proposed revisions of annual caps for such transactions are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

DIRECTORS' CONFIRMATION

The 2020 Framework Agreements have been negotiated and agreed on an arm's length basis by and among the Company, CNMC, Yunnan Copper Group and Huachin. The Directors (for the purpose of the 2020 Yunnan Copper Supply Framework Agreement and 2020 Huachin Copper Supply Framework Agreement, including the independent non-executive Directors; and for the purpose of the Non-exempt Continuing Connected Transactions, excluding the independent non-executive Directors), are of the view that the 2020 Framework Agreements are entered into in the ordinary and usual course of business, on normal commercial terms and that the terms of the 2020 Framework Agreements and the proposed revision of annual caps for such transactions for each of the three years ending 31 December 2023 are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Mr. Jinjun ZHANG (executive Director) and Mr. Yaoyu TAN (non-executive Director) are Directors of CNMC, and have abstained from voting on the relevant resolutions in respect of amending the annual caps for each of the three years ending 31 December 2023 for the transactions contemplated under the 2020 Framework Agreements pursuant to the articles of association of the Company and the Listing Rules. Save as disclosed above, none of the Directors has a material interest in the transactions under the 2020 Framework Agreements or is required to abstain from voting on the relevant resolutions of the Board.

APPROVAL BY INDEPENDENT SHAREHOLDERS

As CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company through CNMD, CNMD and its associates will abstain from voting the resolutions approving the revision of the respective annual caps for transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement for each of the three years ending 31 December 2023 at the EGM.

The Company will comply with relevant provisions of the Listing Rules in relation to the revision of respective annual caps for transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement for each of the three years ending 31 December 2023.

An Independent Board Committee has been formed to advise the Independent Shareholders in connected with the revision of the respective annual caps for transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement for each of the three years ending 31 December 2023, and Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

A circular containing, amongst other things, further information on the revision of the respective annual caps for transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement for each of the three years ending 31 December 2023, a letter from the Independent Board Committee, an opinion of Rainbow Capital (HK) Limited, the Independent Financial Advisor, together with a notice to convene the EGM to approve, among others, the proposed revision of annual caps for each of the three years ending 31 December 2023 for transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement, is expected to be issued to the Shareholders on or before 4 October 2021. If there is expected to be a delay in dispatch of the circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of dispatch of the circular. An announcement on the results of the EGM will be made in accordance with the Listing Rules.

GENERAL

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in exploration of copper and cobalt, mining, ore processing, leaching, smelting and sale of copper cathodes, blister copper and copper anodes, cobalt contained in cobaltous hydroxide, sulfuric acid and liquid sulfur dioxide.

CNMC is wholly-owned and administered by the State Assets Supervision and Administration Commission of the State Council of the PRC and is principally engaged in the development of nonferrous metal resources, construction and engineering, as well as related trade and services.

Yunnan Copper Group is an indirect subsidiary of Aluminum Corporation of China, and principally engaged in the production and sale of copper concentrates and other non-ferrous metal products.

Huachin is a Hong Kong-based company which is mainly engaged in the procurement, logistics and transportation services of various forms of products (from raw materials to refined products), commodity processing or refining, and the final sales of such products worldwide. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable inquiries and based on the information provided to the Company, the ultimate beneficial owner of Huachin was Mr. Ho Lun NG who is principally engaged in the non-ferrous industry for over five years, has been active in the real estate market and directly owns the entire issued share capital of Huachin. Mr. Siu Kam NG, a connected person of the Company at the subsidiary level, is the father of Mr. Ho Lun NG.

DEFINITIONS

“2017 CNMC Copper Supply Framework Agreement”	the framework agreement dated 18 April 2017 between the Company and CNMC in relation to the sale of copper products to the CNMC Group
“2017 Mutual Supply Framework Agreement”	the framework agreement dated 18 April 2017 between the Company and CNMC in relation to the mutual provision of raw materials, products and services
“2017 Yunnan Copper Supply Framework Agreement”	the framework agreement dated 18 April 2017 between the Company and Yunnan Copper Group in relation to the sale of copper products to Yunnan Copper Group and its subsidiaries
“2020 CNMC Copper Supply Framework Agreement”	the framework agreement dated 30 October 2020 between the Company and CNMC in relation to the sale of copper products to the CNMC Group
“2020 Framework Agreements”	collectively, the 2020 Yunnan Copper Supply Framework Agreement, the 2020 CNMC Copper Supply Framework Agreement, the 2020 Mutual Supply Framework Agreement and the 2020 Huachin Copper Supply Framework Agreement
“2020 Huachin Copper Supply Framework Agreement”	the framework agreement dated 30 October 2020 between the Company and Huachin in relation to the sale and purchase of the copper products
“2020 Mutual Supply Framework Agreement”	the framework agreement dated 30 October 2020 between the Company and CNMC in relation to the mutual provision of raw materials, products and services
“2020 Yunnan Copper Supply Framework Agreement”	the framework agreement dated 30 October 2020 between the Company and Yunnan Copper Group in relation to the sale of copper products to Yunnan Copper Group and its subsidiaries
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

“CCS”	Chambishi Copper Smelter Limited (謙比希銅冶煉有限公司*), a company incorporated under the laws of Zambia and a subsidiary of the Company
“CNMC”	China Nonferrous Metal Mining (Group) Co., Ltd* (中國有色礦業集團有限公司), a state-owned enterprise established under the laws of the PRC and a controlling shareholder of the Company
“CNMC Group”	CNMC and its subsidiaries, excluding for the purpose of this announcement, the Group
“CNMC Huachin Mabende”	CNMC Huachin Mabende Mining SA (中色華鑫馬本德礦業股份有限公司*), a company incorporated under the laws of the DRC and a subsidiary of the Company
“CNMD”	China Nonferrous Mining Development Limited (中色礦業發展有限公司), a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of CNMC and a controlling shareholder of the Company
“COMEX”	Commodity Exchange, Inc., a division of the New York Mercantile Exchange, an exchange for contracts in energy and precious metals
“Company”	China Nonferrous Mining Corporation Limited (中國有色礦業有限公司), a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company

“DRC”	the Democratic Republic of Congo
“EGM”	the extraordinary general meeting of the Company to be held to approve, among others, the proposed revision of annual caps for transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement, or any adjournment thereof
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huachin”	Huachin International Trading Limited (國際華鑫貿易有限公司), a company incorporated in Hong Kong with limited liability
“Huachin Copper Supply Framework Agreement”	the framework agreement dated 13 October 2020 between the Company and Huachin in relation to the sale and purchase of the copper products
“Huachin Group”	Huachin and its subsidiaries
“Huachin Leach”	Huachin Metal Leach SA (中色華鑫濕法冶煉股份有限公司*), a company incorporated under the laws of the DRC and a subsidiary of the Company
“Huachin SARL”	Huachin SARL (華鑫有限責任公司*), a company incorporated under the laws of the DRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. Dingfan QIU, Mr. Jingwei LIU and Mr. Huanfei GUAN

“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as set out under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than CNMD and its associates
“Independent Third Party(ies)”	party(ies) not connected with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Kambove Mining”	Kambove Mining SAS (剛波大礦業簡易股份有限公司*), a subsidiary of the Company established in the DRC
“kt”	kilo tonnes
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“London Metal Exchange”	the London Metal Exchange, a futures exchange for options and futures contracts on base and other metals
“Lualaba Copper Smelter”	Lualaba Copper Smelter SAS (盧阿拉巴銅冶煉股份有限公司*), a subsidiary of the Company incorporated in the DRC
“Luxemburg”	the Grand Duchy of Luxemburg
“NFCA”	NFC Africa Mining PLC (中色非洲礦業有限公司*), a company incorporated in Zambia on 5 March 1998 and a subsidiary of the Company

“Non-exempt Continuing Connected Transactions”	the transactions (including the proposed revisions of annual caps) contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement
“PRC”	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Cap(s)”	the proposed maximum annual aggregate value for each of the Non-exempt Continuing Connected Transactions of the Company in respect of 2021 to 2023 as set out in this announcement
“Shanghai Futures Exchange”	the Shanghai Futures Exchange, an exchange for contracts in copper and other metals
“Shareholders”	holder(s) of the shares of the Company
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Switzerland”	the Swiss Confederation
“Tianjin Precious Metals Exchange”	the Tianjin Precious Metals Exchange, an exchange for contracts in precious metals
“US\$”	United States dollars, the current lawful currency of the United States of America

“Yunnan Copper Group”	Yunnan Copper Industry (Group) Co., Ltd.* (雲南銅業(集團)有限公司), a company incorporated under the laws of the PRC, which holds 40% of the issued share capital of CCS
“Zambia”	the Republic of Zambia
“%”	per cent

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

Beijing, 9 September 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.

* *Translation of Chinese or English terms for reference only.*