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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**

Reference is made to the announcement of the Company dated 30 October 2020 in respect of the renewal of the continuing connected transactions under the agreement on purchase of ores between the Company and Mabende Mining.

Proposed Revision of Annual Caps under the 2020 Mabende Ore Supply Framework Agreement

Taking into account the impact of the expected increase in copper price, the Directors expect that the existing annual caps under the 2020 Mabende Ore 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 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 a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Mr. Siu Kam NG owns the entire interest in Huachin SARL, and Huachin SARL holds 70% equity interests in Mabende Mining, therefore, Mabende Mining is a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the 2020 Mabende Ore Supply Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As one of the applicable percentage ratios of the proposed revised annual caps in respect of the transactions contemplated under the 2020 Mabende Ore 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 Mabende Mining is a connected person of the Company at the subsidiary level under the Listing Rules, and the Board has approved the 2020 Mabende Ore Supply Framework Agreement and the independent non-executive Directors have confirmed that the terms of the transactions are fair and reasonable and that the transactions are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the transactions are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

BACKGROUND

The Group is a fast growing, leading and vertically integrated copper producer focusing on mining, ore processing, leaching, smelting and sales of copper 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 in relation to, among other things, the renewal of the continuing connected transactions under the 2020 Mabende Ore Supply Framework Agreement between the Company and Mabende Mining.

On 30 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into the 2020 Mabende Ore Supply Framework Agreement with Mabende Mining in respect of transactions, the nature of which is similar to that of the transactions under the 2017 Huachin Ore Supply Framework Agreement. The agreement is for a term of three years from 1 January 2021 to 31 December 2023.

During the existing term of the 2020 Mabende Ore Supply Framework Agreement, members of the Group may enter into separate agreements with Mabende Mining from time to time in respect of the provision or receipt of the relevant services and sale/purchase of goods from the relevant party subject to the terms and conditions set out under the 2020 Mabende Ore Supply Framework Agreement.

Taking into account the impact of the expected increase in copper price, the Directors expect that the existing annual caps under the 2020 Mabende Ore 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 of the 2020 Mabende Ore Supply Framework Agreement are set forth below:

Parties

- (1) The Company
- (2) Mabende Mining

Nature

Pursuant to the 2020 Mabende Ore Supply Framework Agreement, the Company has agreed to purchase, or procure its subsidiaries to purchase, copper ores mined by Mabende Mining (and its subsidiaries). Either party may terminate any specific agreement entered into pursuant to the 2020 Mabende Ore Supply Framework Agreement (but excluding the 2020 Mabende Ore Supply Framework Agreement) by giving the other party no less than one month's prior written notice.

Under the terms of the 2020 Mabende Ore Supply Framework Agreement, Mabende Mining has principally agreed to sell all of the ores mined by Mabende Mining, except that with the Company's consent, Mabende Mining may sell ores in excess of the Group's demand to third parties.

The ores supplied by Mabende Mining will mainly be used for the DRC project owned by CNMC Huachin Mabende, a subsidiary of the Company in the DRC. Huachin Leach and CNMC Huachin Mabende are 32.5% and 35%, respectively, indirectly owned by Mr. Siu Kam NG, who also owns 70% interest in Mabende Mining. It was a commercial agreement between the Group and Mr. Siu Kam NG that Mabende Mining will supply ores for leaching operations undertaken by CNMC Huachin Mabende, a subsidiary of the Company.

Pricing basis

The prices of ores shall be subject to annual negotiation with reference to the prevailing market price of the ores at the time of each specific agreement to be entered into pursuant to the 2020 Mabende Ore 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 could not be adequately reflected through (i) and (ii) at the place of sale or the receiving market of copper ore, the price reasonably determined by both parties after making reference to the monthly average selling price 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.

The monthly average copper content should be at least above 2.5% (including 2.5%). If the Group has an intention of purchasing ores with a copper content below 2.5%, the parties shall determine the purchase price taking into account the copper content of the ore, the degree of difficulty (costs) of recovery and recovery rate of copper, as well as the prevailing market price of ores of the same grade, and the price will only be implemented after approval by the board of directors of the Company's relevant subsidiary.

As the value of copper ores is intrinsically less than the value of copper, a coefficient is applied to the price of copper to obtain the price of copper ores satisfactory to both parties. Such coefficient shall be determined by the parties after making reference to the coefficient applied by Independent Third Parties under normal commercial terms in the place of sale or the receiving market. If no such coefficient from Independent Third Parties is available, the parties shall negotiate the purchase price taking into the prevailing market price of ores of the same grade, and the price will only be implemented after approval by the board of directors of the Company's relevant subsidiary.

Historical transaction amounts

The table below sets forth the historical amounts of the transactions and the annual caps under the 2017 Huachin Ore Supply Framework Agreement for the year ended 31 December 2020, and the historical amounts of the transactions for the nine months ended 30 September 2021 and the existing annual cap thereunder for the year ending 31 December 2021 under the 2020 Mabende Ore Supply Framework Agreement:

For the year ended 31 December 2020 (US\$)	Annual cap for the year ended 31 December 2020 (US\$)	For the nine months ended 30 September 2021 (unaudited) (US\$)	Annual cap for the year ending 31 December 2021 (US\$)
69,381,000 (Note 1)	80,000,000	78,776,930 (Note 2)	82,800,000

Note 1: The amount represents 86.73% of the annual cap for the year ended 31 December 2020.

Note 2: The amount represents 95.14% of the annual cap for the year ending 31 December 2021.

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.

Currently, the ores are charged in accordance with the monthly average settlement price of copper quoted on the London Metal Exchange, the copper content of the ore, the degree of difficulty (costs) of recovery and recovery rate of copper and with reference to the coefficient applied by Independent Third Parties under normal commercial terms.

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 Mabende Ore 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
82,800,000	126,000,000	85,200,000	126,000,000	86,400,000	126,000,000

The above proposed annual caps were determined by reference to factors such as (i) the estimate ore production capacity of Mabende Mining; (ii) the grade of the ores; (iii) the reasonable expected price range for copper for the three years ending 31 December 2023; and (iv) the coefficient to be applied to copper which shall be determined by the parties after commercial negotiation, having regard to prevailing coefficient factors applied by ore purchasers in the local markets.

It is expected that the copper content of the ores mined by Mabende Mining will be approximately 40,000 tonnes for each of the three years ending 31 December 2023. Based on the industry data, it is forecasted that the copper price for each of the three years ending 31 December 2023 will all be around US\$10,500 per tonne, representing an increase of 52.17%, 47.89% and 45.83% over the previously forecasted US\$6,900 per tonne in 2021, US\$7,100 per tonne in 2022 and US\$7,200 per tonne in 2023, respectively. The industry data are based on the average price of copper predicted by a number of internationally renowned banking groups and research firms, plus an approximately 5.6% buffer for reasonable/potential upward price fluctuation. The proposed annual caps are arrived at by applying a coefficient of 0.30, having regard to prevailing coefficient factors applied by copper ore purchasers in the local markets.

Payment terms

The payment terms will be agreed and detailed in separate agreements. In relation to purchase of ores from Mabende Mining, the payment terms are determined on a Delivered at Place (DAP) basis (that is, Mabende Mining is required to deliver the ores to the designated storage place of the Group). The Group will make payment after receipt of the ores. The Group will make payment for a portion of ores purchased and the remaining amount will be settled monthly after the actual amount of ores purchased and the copper content thereof are determined. 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 suppliers.

Reasons for and benefit of entering into the 2020 Mabende Ore Supply Framework Agreement and the revision of annual caps thereunder

With the increase in production capacity of the Group, demand for ores has increased accordingly. The Company entered into the 2020 Mabende Ore Supply Framework Agreement and will revise the proposed annual caps for the transactions thereunder to ensure a steady supply of ores for the operation of CNMC Huachin Mabende in the DRC, so that the business and commercial objectives of the Group can be achieved.

LISTING RULES IMPLICATIONS

As 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 a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Mr. Siu Kam NG owns the entire interest in Huachin SARL, and Huachin SARL holds 70% equity interests in Mabende Mining, therefore, Mabende Mining is a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the 2020 Mabende Ore Supply Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As one of the applicable percentage ratios of the proposed revised annual caps in respect of the transactions contemplated under the 2020 Mabende Ore 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 Mabende Mining is a connected person of the Company at the subsidiary level under the Listing Rules, and the Board has approved the 2020 Mabende Ore Supply Framework Agreement and the independent non-executive Directors have confirmed that the terms of the transactions are fair and reasonable and that the transactions are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the 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 Mabende Ore Supply Framework Agreement has been negotiated and agreed on an arm's length basis by and between the Company and Mabende Mining. The Directors (including the independent non-executive Directors) are of the view that 2020 Mabende Ore Supply Framework Agreement is entered into in the ordinary and usual course of business, on normal commercial terms, and the terms of 2020 Mabende Ore Supply Framework Agreement and the proposed revision of annual caps thereunder 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.

None of the Directors has a material interest in the transactions contemplated under the 2020 Mabende Ore Supply Framework Agreement and therefore no Director is required to abstain from voting on the resolution in respect of revision of the annual caps for each of the three years ending 31 December 2023 for the transactions contemplated under the 2020 Mabende Ore Supply Framework Agreement pursuant to the articles of association of the Company and the Listing Rules.

GENERAL

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

Mabende Mining is principally engaged in mining, processing and sale of copper ore. Mr. Siu Kam NG owns the entire interest in Huachin SARL, and Huachin SARL holds 70% equity interests in Mabende Mining. Therefore, as at the date of this announcement, the ultimate beneficial owner of Mabende Mining was Mr. Siu Kam NG, a connected person of the Company at the subsidiary level who principally engaged in the non-ferrous industry for over ten years and has been active in the real estate market.

DEFINITIONS

“2017 Huachin Ore Supply Framework Agreement”	the framework agreement dated 18 April 2017 between the Company and Mabende Mining in relation to the purchase of copper ores mined by Mabende Mining
“2020 Mabende Ore Supply Framework Agreement”	the framework agreement dated 30 October 2020 between the Company and Mabende Mining in relation to the sale and purchase of the copper products
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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 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
“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 transactions(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
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Mabende Mining”	Mabende Mining SARL (馬本德礦業有限公司*), a company incorporated under the laws of the DRC
“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 shareholders”	has the meaning ascribed thereto in the Listing Rules
“Independent Third Party(ies)”	party(ies) not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“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
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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
“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

“Tianjin Precious Metals Exchange”	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
“Zambia”	the Republic of Zambia
“%”	per cent

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

Beijing, 28 October 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 a non-executive Director; and Mr. Dingfan QIU, Mr. Jingwei LIU and Mr. Huanfei GUAN as independent non-executive Directors.

* *For identification purposes only*