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

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

(Stock Code: 01258)

UNAUDITED INTERIM RESULTS **FOR THE SIX MONTHS ENDED 30 JUNE 2022**

Financial Highlights of the Group

In the first half of 2022, the Group recorded revenue of US\$2,206.9 million, representing an increase of 4.6% from US\$2,109.6 million in the first half of 2021.

In the first half of 2022, the Group recorded net profit of US\$293.4 million, representing a decrease of 15.7% from US\$348.2 million in the first half of 2021.

In the first half of 2022, the Group recorded profit attributable to owners of the Company of US\$196.2 million, representing a decrease of 17.7% from US\$238.5 million in the first half of 2021.

In the first half of 2022, the Group recorded basic earnings per share attributable to owners of the Company of approximately US¢5.25 (equivalent to approximately HK\$0.41), representing a decrease of approximately 21.6% from US¢6.70 (equivalent to approximately HK\$0.52) in the first half of 2021.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022.

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Nonferrous Mining Corporation Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022, together with comparative financial information for the corresponding period in 2021.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | | Six months ended 30 June | |
|---|--------------|---------------------------------|--------------------|
| | | 2022 | 2021 |
| | <i>Notes</i> | US\$'000 | <i>US\$'000</i> |
| | | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers | 3, 4 | 2,206,948 | 2,109,557 |
| Cost of sales | | <u>(1,675,972)</u> | <u>(1,490,995)</u> |
| Gross profit | | 530,976 | 618,562 |
| Other income | | 4,476 | 3,442 |
| Other gains and losses | 5 | (3,332) | 18,021 |
| Distribution and selling expenses | | (3,308) | (43,616) |
| Administrative expenses | | (76,359) | (46,743) |
| Other expenses | | (6,940) | (1,326) |
| Finance costs | | <u>(13,992)</u> | <u>(18,018)</u> |
| Profit before tax | | 431,521 | 530,322 |
| Income tax expense | 6 | <u>(138,163)</u> | <u>(182,102)</u> |
| Profit and total comprehensive income for the period | | <u>293,358</u> | <u>348,220</u> |
| Profit and total comprehensive income attributable to: | | | |
| Owners of the Company | | 196,173 | 238,543 |
| Non-controlling interests | | <u>97,185</u> | <u>109,677</u> |
| | | <u>293,358</u> | <u>348,220</u> |
| Earnings per share | 8 | | |
| – Basic and diluted | | | |
| <i>(US cents per share)</i> | | 5.25 | 6.70 |
| – Basic and diluted <i>(equivalent to approximately HK\$ per share)</i> | | <u>0.41</u> | <u>0.52</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

| | | At 30 June 2022 | At 31 December 2021 |
|--|--------------|--------------------------------|------------------------------|
| | <i>Notes</i> | <i>US\$'000</i> (Unaudited) | <i>US\$'000</i> (Audited) |
| ASSETS | | | |
| Non-current Assets | | | |
| Property, plant and equipment | | 1,617,679 | 1,697,104 |
| Right-of-use assets | | 7,448 | 9,930 |
| Mining rights | | 128,748 | 130,216 |
| Restricted bank balances | | 1,505 | 1,505 |
| Deferred tax assets | | 7,789 | 13,102 |
| Prepayments and other receivables | | <u>60,478</u> | <u>68,283</u> |
| | | <u>1,823,647</u> | <u>1,920,140</u> |
| Current Assets | | | |
| Inventories | | 858,818 | 848,301 |
| Trade receivables at amortised cost | 9 | 33,200 | 25,863 |
| Trade receivables at fair value through profit or loss (“FVTPL”) | 9 | 512,014 | 529,904 |
| Prepayments and other receivables | | 257,923 | 229,784 |
| Financial assets at FVTPL | | 30,548 | – |
| Restricted bank balances | | 3,748 | 3,246 |
| Bank balances and cash | | <u>808,151</u> | <u>606,746</u> |
| | | <u>2,504,402</u> | <u>2,243,844</u> |
| Total Assets | | <u><u>4,328,049</u></u> | <u><u>4,163,984</u></u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

| | <i>Notes</i> | At 30 June 2022 US\$'000 (Unaudited) | At 31 December 2021 US\$'000 (Audited) |
|---|--------------|---|---|
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Share capital | 11 | 740,119 | 740,119 |
| Retained profits | | 855,406 | 802,083 |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the Company | | 1,595,525 | 1,542,202 |
| Non-controlling interests | | 694,869 | 629,682 |
| | | <hr/> | <hr/> |
| Total Equity | | 2,290,394 | 2,171,884 |
| | | <hr/> | <hr/> |
| Non-current Liabilities | | | |
| Deferred tax liabilities | | 162,586 | 141,373 |
| Bank and other borrowings | | | |
| – due after one year | | 795,633 | 848,133 |
| Lease liabilities | | 3,048 | 6,411 |
| Deferred income | | 13,275 | 13,940 |
| Provision for restoration, rehabilitation and environmental costs | | 38,952 | 37,400 |
| | | <hr/> | <hr/> |
| | | 1,013,494 | 1,047,257 |
| | | <hr/> | <hr/> |
| Current Liabilities | | | |
| Trade payables at amortised cost | 10 | 286,435 | 359,327 |
| Trade payables designated at FVTPL | 10 | 192,315 | 231,803 |
| Other payables and accrued expenses | | 299,041 | 112,507 |
| Income tax payable | | 167,205 | 196,669 |
| Bank and other borrowings | | | |
| – due within one year | | 47,128 | 24,225 |
| Lease liabilities | | 7,638 | 7,472 |
| Contract liabilities | | 24,399 | 9,069 |
| Financial liabilities designated at FVTPL | | – | 3,771 |
| | | <hr/> | <hr/> |
| | | 1,024,161 | 944,843 |
| | | <hr/> | <hr/> |
| Total Liabilities | | 2,037,655 | 1,992,100 |
| | | <hr/> | <hr/> |
| Total Equity and Liabilities | | 4,328,049 | 4,163,984 |
| | | <hr/> <hr/> | <hr/> <hr/> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | <u>Attributable to owners of the Company</u> | | | Non- | Total |
|--|--|----------------|------------------|----------------|------------------|
| | Share | Retained | Total | controlling | equity |
| | capital | profits | | interests | |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Six months ended 30 June 2022 | | | | | |
| At 31 December 2021 (Audited) | 740,119 | 802,083 | 1,542,202 | 629,682 | 2,171,884 |
| Profit and total comprehensive income for the period | – | 196,173 | 196,173 | 97,185 | 293,358 |
| Dividends declared by subsidiaries | – | – | – | (31,998) | (31,998) |
| Dividends declared by the Company (Note 7) | – | (142,850) | (142,850) | – | (142,850) |
| | <u>740,119</u> | <u>855,406</u> | <u>1,595,525</u> | <u>694,869</u> | <u>2,290,394</u> |
| Six months ended 30 June 2021 | | | | | |
| At 31 December 2020 (Audited) | 613,233 | 498,531 | 1,111,764 | 547,178 | 1,658,942 |
| Issue of shares (Note 11) | 127,482 | – | 127,482 | – | 127,482 |
| Share issuance cost (Note 11) | (596) | – | (596) | – | (596) |
| Profit and total comprehensive income for the period | – | 238,543 | 238,543 | 109,677 | 348,220 |
| Dividends declared by the Company (Note 7) | – | (53,569) | (53,569) | – | (53,569) |
| | <u>740,119</u> | <u>683,505</u> | <u>1,423,624</u> | <u>656,855</u> | <u>2,080,479</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2022 | 2021 |
| | US\$'000 | US\$'000 |
| | (Unaudited) | (Unaudited) |
| NET CASH FROM OPERATING ACTIVITIES | 276,858 | 369,660 |
| NET CASH USED IN INVESTING ACTIVITIES | (14,189) | (82,892) |
| NET CASH (USED IN)/ FROM FINANCING ACTIVITIES | (61,264) | 56,623 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 201,405 | 343,391 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 606,746 | 497,829 |
| Effect of foreign exchange rate changes | – | (18) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY: | | |
| Bank balances and cash | 808,151 | 841,202 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

The financial information relating to the year ended 31 December 2021 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's then auditors have reported on the financial statements for the year ended 31 December 2021. The Company's then auditor's report was unqualified, and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

2. CHANGES IN PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period's financial information.

| | |
|--|--|
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to HKAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to HKAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> |
| <i>Annual Improvements to HKFRSs 2018-2020</i> | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. SEGMENT INFORMATION

Segment revenue and results

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

| | Six months ended 30 June 2022 | | |
|-----------------------------------|--------------------------------------|-------------------------|-------------------------|
| | Leaching | Smelting | Consolidated |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue from external sales | 680,999 | 1,525,949 | 2,206,948 |
| Inter-segment sales | <u>–</u> | <u>30,518</u> | <u>30,518</u> |
| Total segment revenue | <u>680,999</u> | <u>1,556,467</u> | 2,237,466 |
| Elimination | | | <u>(30,518)</u> |
| Revenue for the period | | | <u>2,206,948</u> |
| Segment profit | <u>172,712</u> | <u>136,280</u> | 308,992 |
| Unallocated income* | | | 200 |
| Unallocated expenses [#] | | | <u>(15,834)</u> |
| Profit for the period | | | <u>293,358</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

| | At 30 June 2022 <i>US\$'000</i> (Unaudited) | At 31 December 2021 <i>US\$'000</i> (Audited) |
|--------------------------------|--|--|
| Segment assets | | |
| – Leaching | 1,326,549 | 1,348,698 |
| – Smelting | 2,814,470 | 2,746,800 |
| | <hr/> | <hr/> |
| Total segment assets | 4,141,019 | 4,095,498 |
| Unallocated assets* | 188,326 | 73,319 |
| Elimination | (1,296) | (4,833) |
| | <hr/> | <hr/> |
| Consolidated total assets | 4,328,049 | 4,163,984 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Segment liabilities | | |
| – Leaching | 469,757 | 517,953 |
| – Smelting | 1,219,011 | 1,432,463 |
| | <hr/> | <hr/> |
| Total segment liabilities | 1,688,768 | 1,950,416 |
| Unallocated liabilities* | 350,183 | 46,517 |
| Elimination | (1,296) | (4,833) |
| | <hr/> | <hr/> |
| Consolidated total liabilities | 2,037,655 | 1,992,100 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

| | Six months ended 30 June 2022 | |
|---|--|--|
| | Leaching US\$'000 (Unaudited) | Smelting US\$'000 (Unaudited) |
| Sales of goods to external customers | | |
| Copper cathodes | 639,926 | – |
| Blister copper and copper anodes | – | 1,396,211 |
| Sulfuric acid | – | 94,954 |
| Liquid sulphur dioxide | – | 16,207 |
| Cobalt contained in cobaltous hydroxide | 41,073 | – |
| | <u>680,999</u> | <u>1,507,372</u> |
| Copper product processing services | – | 18,577 |
| | <u>680,999</u> | <u>1,525,949</u> |
| Total | <u>680,999</u> | <u>1,525,949</u> |
| Geographical markets | | |
| Mainland China | 537,509 | 1,012,421 |
| Hong Kong | – | 104,807 |
| Switzerland | 106,291 | 166,026 |
| Singapore | 37,199 | 66,380 |
| Africa | – | 174,207 |
| Luxemburg | – | 2,108 |
| | <u>680,999</u> | <u>1,525,949</u> |
| Total | <u>680,999</u> | <u>1,525,949</u> |
| Timing of revenue recognition | | |
| A point in time | 680,999 | 1,525,949 |
| | <u>680,999</u> | <u>1,525,949</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Disaggregation of revenue from contracts with customers (Continued)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. OTHER GAINS AND LOSSES

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2022 | 2021 |
| | US\$'000 | US\$'000 |
| | (Unaudited) | (Unaudited) |
| Impairment loss recognised in respect of input value added tax (“VAT”) receivables | (7,979) | (19,775) |
| Gains/(losses) from change in fair value of financial assets/liabilities at FVTPL | | |
| – financial assets/liabilities at FVTPL | 31,349 | (40,484) |
| – trade receivables at FVTPL | (47,666) | 163,632 |
| – trade payables designated at FVTPL | 26,249 | (82,970) |
| Foreign exchange loss, net (<i>Note</i>) | (5,285) | (2,382) |
| | (3,332) | 18,021 |

Note: The amount included exchange losses arising from the retranslation of input VAT receivables denominated in Zambia Kwacha (“ZMK”) to United States Dollars (“US\$”) amounting to US\$1,666,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: US\$5,323,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

6. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|--------------------------|---------------------------------|---------------------------------|
| | 2022 US\$'000 (Unaudited) | 2021 US\$'000 (Unaudited) |
| Current tax: | | |
| Income tax in PRC | 2 | – |
| Income tax in Ireland | 378 | 323 |
| Income tax in DRC | 45,280 | 33,657 |
| Income tax in Zambia | 65,977 | 70,905 |
| | <u>111,637</u> | <u>104,885</u> |
| Deferred tax | | |
| Current period | <u>26,526</u> | <u>77,217</u> |
| Total income tax expense | <u>138,163</u> | <u>182,102</u> |
| Effective tax rate | <u>32.0%</u> | <u>34.3%</u> |

Note: Chambishi Copper Smelter Limited (“CCS”), a non-wholly-owned subsidiary of the Company located in Zambia, is eligible for the tax exemption for the first five profitable years; 50% income tax relief for the next three years thereafter; and 25% income tax relief for the next two years thereafter. The tax incentives are applicable to the assessable profits generated from two different phases of production facilities of CCS with different dates of commencement of the tax incentives. One of the phases of production facilities of CCS is not eligible for the income tax relief for both reporting periods. The remaining phase of production facilities of CCS is under the third year of 50% income tax relief during the six months ended 30 June 2022 (six months ended 30 June 2021: 50%).

Lualaba Copper Smelter SAS (“LCS”), a non-wholly-owned subsidiary of the Company located in DRC, is eligible for the 68.29% income tax relief for the five years starting from July 2021. The calculation of income tax relief rate is based on the current production volume proportion of sulfuric acid, which also depends on the remaining investments in blister copper and sulfuric acid.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

7. DIVIDENDS

During the six months ended 30 June 2022, a final dividend of US¢3.8205 per share in respect of the year ended 31 December 2021 (six months ended 30 June 2021: US¢1.4327 per share in respect of the year ended 31 December 2020) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the six months ended 30 June 2022 amounted to US\$142,849,870 (six months ended 30 June 2021: US\$53,569,169).

The Directors do not recommend interim dividend for the current period (six months ended 30 June 2021: nil).

8. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| Profit for the period attributable to owners of the Company for the purpose of basic earnings per share calculation (<i>in US\$'000</i>) | <u>196,173</u> | <u>238,543</u> |
| Weighted average number of ordinary shares for the purpose of basic earnings per share calculation (<i>in '000</i>) | <u>3,739,036</u> | <u>3,559,478</u> |
| Earnings per share | | |
| – Basic and diluted (<i>US cents per share</i>) | 5.25 | 6.70 |
| – Basic and diluted (<i>equivalent to approximately HK\$ per share</i>) | <u>0.41</u> | <u>0.52</u> |

During the six months ended 30 June 2021, the weighted average number of ordinary shares for the purpose of basic earnings per share calculation has been adjusted due to the subscription of new shares which took place on 14 May 2021 (During the six months ended 30 June 2022: Nil).

During the six months ended 30 June 2022 and 2021, there was no potential ordinary share outstanding with diluted impact.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

| | At 30 June 2022 US\$'000 (Unaudited) | At 31 December 2021 US\$'000 (Audited) |
|-------------------------------------|---|---|
| Trade receivables at amortised cost | 35,775 | 28,438 |
| Less: Allowance for credit losses | <u>(2,575)</u> | <u>(2,575)</u> |
| | <u>33,200</u> | <u>25,863</u> |
| Trade receivables at FVTPL | <u>512,014</u> | <u>529,904</u> |

As at 30 June 2022 and 31 December 2021, all trade receivables at amortised cost/trade receivables at FVTPL were from contracts with customers.

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

| | At 30 June 2022 US\$'000 (Unaudited) | At 31 December 2021 US\$'000 (Audited) |
|-----------------|---|---|
| 0 to 30 days | 16,525 | 22,245 |
| 31 to 90 days | 16,075 | 3,618 |
| 91 to 180 days | 90 | – |
| 181 to 365 days | <u>510</u> | <u>–</u> |
| | <u>33,200</u> | <u>25,863</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

| | At 30 June 2022 US\$'000 (Unaudited) | At 31 December 2021 US\$'000 (Audited) |
|-----------------|---|---|
| 0 to 30 days | 318,118 | 370,242 |
| 31 to 90 days | 184,948 | 139,626 |
| 91 to 180 days | 8,948 | 15,338 |
| 181 to 365 days | – | 4,698 |
| | <u>512,014</u> | <u>529,904</u> |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

10. TRADE PAYABLES AT AMORTISED COST/TRADE PAYABLES DESIGNATED AT FVTPL

| | At 30 June 2022 <i>US\$'000</i> (Unaudited) | At 31 December 2021 <i>US\$'000</i> (Audited) |
|------------------------------------|--|--|
| Trade payables at amortised cost | <u>286,435</u> | <u>359,327</u> |
| Trade payables designated at FVTPL | <u>192,315</u> | <u>231,803</u> |

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

| | At 30 June 2022 <i>US\$'000</i> (Unaudited) | At 31 December 2021 <i>US\$'000</i> (Audited) |
|-----------------|--|--|
| 0 to 30 days | 109,720 | 160,051 |
| 31 to 90 days | 79,539 | 96,299 |
| 91 to 180 days | 21,380 | 44,208 |
| 181 to 365 days | 31,467 | 13,385 |
| 1 to 2 years | – | 1,055 |
| Over 2 years | <u>44,329</u> | <u>44,329</u> |
| | <u>286,435</u> | <u>359,327</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

| | At 30 June 2022 US\$'000 (Unaudited) | At 31 December 2021 US\$'000 (Audited) |
|----------------|---|---|
| 0 to 30 days | 140,090 | 209,919 |
| 31 to 90 days | 52,225 | 9,166 |
| 91 to 180 days | – | 12,718 |
| | <u>192,315</u> | <u>231,803</u> |

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

11. SHARE CAPITAL

| | Number of shares '000 | Share capital HK\$'000 | Share capital US\$'000 |
|---|--------------------------------------|---------------------------------------|---------------------------------------|
| Issued and fully paid | | | |
| At 31 December 2020 (audited) | 3,489,036 | 4,775,319 | 613,233 |
| Issue of shares at 14 May 2021 | 250,000 | 990,000 | 127,482 |
| Transaction costs attributable to issue of shares | — | (4,630) | (596) |
| | <hr/> | <hr/> | <hr/> |
| At 30 June 2021 (unaudited), 31 December 2021 (audited), 30 June 2022 (unaudited) | <u>3,739,036</u> | <u>5,760,689</u> | <u>740,119</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In the first half of 2022, the Group's operating results declined year on year, which was attributable to the year-on-year decrease in the production volume of Chambishi Southeast Mine, a subsidiary of NFC Africa Mining PLC, and the significant fluctuation in global copper price.

During the reporting period, the revenue of the Group amounted to US\$2,206.9 million, representing an increase of 4.6% as compared with the same period last year. Profit attributable to owners of the Company amounted to US\$196.2 million, representing a decrease of 17.7% over the same period last year, which was mainly attributable to the year-on-year decrease in the production volume of Chambishi Southeast Mine, a subsidiary of NFC Africa Mining PLC, and the higher fluctuation in global copper price.

With the achievement in production capacity and quality of the Kambove Main Mine Leach Copper Smelting Project, a solid foundation will be paved for the Group's further development of business.

Business Review

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

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

From January to June 2022, the Group accumulatively produced 165,042 tonnes of blister copper and copper anodes, representing a decrease of 4.3% from the same period last year; copper cathodes of 71,932 tonnes, representing an increase of 22.8% from the same period last year; cobalt contained in cobaltous hydroxide of 845 tonnes, representing an increase of 682.4% from the same period last year; sulfuric acid of 522,409 tonnes, representing a decrease of 0.6% from the same period last year; and liquid sulphur dioxide of 13,655 tonnes, representing an increase of 14.0% from the same period last year; the Group accumulatively processed copper products of 36,602 tonnes as entrusted by external enterprises, representing an increase of 90.6% from the same period last year.

Production Overview

NFCA

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

In the first half of 2022, Chambishi Main Mine, Chambishi West Mine and Chambishi Southeast Mine produced 28,359 tonnes of copper anodes, representing a decrease of 23.5% from the same period last year, of which Southeast Mine produced 13,202 tonnes of copper anodes, which was primarily due to the shutdown and overhaul of Chambishi Main West Mine and Chambishi Southeast Mine as planned.

Luanshya

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

The Luanshya produced 22,117 tonnes of copper cathodes in the first half of 2022, remained stable compared to the same period last year, and produced 5,857 tonnes of copper anodes, representing a decrease of 14.6% from the same period last year, mainly due to the decrease in grade of slag raw ores and the decrease in processing volume and selected average grade of raw ores in Baluba Mine.

CCS

CCS mainly operates the Chambishi Smelting Plant.

In the first half of 2022, CCS accumulatively produced 126,772 tonnes of blister copper and copper anodes, including the processed copper products of 39,227 tonnes, representing a decrease of 3.7% from the same period last year, and 358,258 tonnes of sulphuric acid, representing a decrease of 6.7% from the same period last year. The decrease was mainly due to the insufficiency of raw materials when the main suppliers of copper concentrates started the annual overhaul in April 2022, resulting in relatively low production load from the same period last year.

SML

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

Copper cathodes produced by SML in the first half of 2022 has decreased by 19.2% to 3,737 tonnes as compared with the same period last year, mainly due to decrease in the processing volume of oxide ores purchased from external as compared with the corresponding period of the previous year. SML produced 5,011 tonnes of blister copper and copper anodes, representing an increase of 69.6% from the same period last year, mainly attributable to the purchase of outsourced copper concentrates in addition to exploration of its own mines, which increased the outsourced processing business volume.

CNMC Huachin Mabende and Huachin Leach

Copper cathodes produced by CNMC Huachin Mabende in the first half of 2022 increased by 7.2% to 19,400 tonnes as compared with the same period last year, mainly due to the increase in the processing volume of ores purchased externally.

Copper cathodes produced by Huachin Leach in the first half of 2022 decreased by 12.8% to 11,968 tonnes as compared with the same period last year, mainly due to the increase in duration and frequency of limitation of power and blackout, which affected the operation time. Cobalt contained in cobaltous hydroxide produced increased by 69.4% to 183 tonnes as compared with the same period last year, mainly due to the improvement of the processing ability of cobalt system raffinate through technical reform.

Lualaba Copper Smelter

In the first half of 2022, Lualaba Copper Smelter produced 74,872 tonnes of blister copper, including the processed copper products of 36,602 tonnes, representing an increase of 24.6% from the same period last year; 164,151 tonnes of sulfuric acid, representing an increase of 15.9% from the same period last year; and 13,655 tonnes of liquid sulphur dioxide, representing an increase of 14.0% from the same period last year, which was mainly due to the fact that the production was still ramping up in the same period last year.

Kambove Mining

The Kambove Main Mine completed construction and commenced trial operation in the third quarter of 2021, and along with the achievement in production capacity and quality in the first half of 2022, the Kambove Main Mine produced 14,710 tonnes of copper cathodes and 662 tonnes of cobalt contained in cobaltous hydroxide.

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

| | Production volume for the six months ended 30 June 2022⁽¹⁾ (Tonnes) | Production volume for the six months ended 30 June 2021 ⁽¹⁾ (Tonnes) | Period-to- period increase/ (decrease) (%) |
|--|---|--|--|
| Blister copper and copper anodes | 165,042 | 172,515 | (4.3) |
| Copper cathodes | 71,932 | 58,570 | 22.8 |
| Cobalt contained in cobaltous hydroxide | 845 | 108 | 682.4 |
| Sulfuric acid | 522,409 | 525,500 | (0.6) |
| Liquid sulphur dioxide | 13,655 | 11,977 | 14.0 |
| Copper product processing services ⁽²⁾ | 36,602 | 19,204 | 90.6 |

Notes:

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

| | Production volume for the six months ended 30 June 2022 (Tonnes) | Production volume for the six months ended 30 June 2021 (Tonnes) |
|--|---|---|
| Blister copper and copper anodes produced by self-owned mine | 32,115 | 42,085 |
| Copper cathodes produced by self-owned mine | <u>38,739</u> | <u>22,941</u> |
| Total | <u><u>70,854</u></u> | <u><u>65,026</u></u> |

EXPLORATION, DEVELOPMENT AND MINING COST OF THE GROUP

Expenses of exploration, development and mining activities of the Group for the six months ended 30 June 2022 are set out below:

| | NFCA | | Luanshya | | SML | Kambove Mining | | Total |
|--|------------------------|--------------------------------|--------------------------------------|------------------------|---------------------------------|----------------|---------------|--------------|
| | Chambishi Main Mine | Chambishi Southeast Mine | Baluba Center Sulphide Mine | Muliashi North Mine | Roan Basin Mwambashi Mine | Main Mine | MSESA Mine | |
| <i>Unit: Million US dollars</i> | | | | | | | | |
| Exploration activities | | | | | | | | |
| <i>Including:</i> | | | | | | | | |
| – Drilling | 0.49 | 1.07 | – | – | – | 0.15 | 0.28 | 2.87 |
| – Analysis | – | 0.02 | – | – | – | – | – | 0.02 |
| – Others | – | – | – | – | – | – | 0.32 | 0.32 |
| Sub-total | 0.49 | 1.09 | – | – | – | 0.15 | 0.60 | 3.21 |
| Development activities | | | | | | | | |
| (including mine construction) | | | | | | | | |
| <i>Including:</i> | | | | | | | | |
| – Purchases of assets and equipment | – | – | – | – | – | – | – | – |
| – Civil work for construction of tunnels and roads | – | – | – | – | – | – | – | – |
| – Staff cost | – | – | – | – | – | – | – | – |
| – Others | 7.43 | 13.63 | – | 3.43 | – | – | – | 26.02 |
| Sub-total | 7.43 | 13.63 | – | 3.43 | – | – | – | 26.02 |

| | NFCA | | Luanshya | | | SML | Kambove Mining | | Total |
|---|------------------------|--------------------------------|------------------|------------------------|---------------------------------|--------------|----------------|---------------|-------|
| | Chambishi Main Mine | Chambishi Southeast Mine | Baluba Center | | Roan Basin Mwambashi Mine | Main Mine | MSESA Mine | | |
| | | | Sulphide Mine | Muliashi North Mine | | | | | |
| <i>Unit: Million US dollars</i> | | | | | | | | | |
| Mining activities (excluding ore processing) | | | | | | | | | |
| <i>Including:</i> | | | | | | | | | |
| - Staff cost | 2.18 | 5.52 | 1.13 | 0.17 | - | - | - | 9.00 | |
| - Consumables | 8.00 | 24.23 | 1.50 | 0.60 | - | - | - | 34.33 | |
| - Fuel, electricity, water and other services | 8.93 | 8.23 | 3.82 | 13.81 | - | 0.03 | - | 34.82 | |
| - On-site and remote system management | - | - | - | - | - | - | - | - | |
| - Non-income taxes, royalties and other expenses | - | - | 4.08 | 9.87 | 0.53 | - | - | 14.48 | |
| - Depreciation | 3.53 | 24.00 | 3.43 | 8.34 | 0.02 | 0.14 | 2.50 | 41.96 | |
| - Sub-contracting charges | 17.47 | 22.43 | 8.38 | 14.19 | 1.03 | 2.19 | 8.16 | 73.85 | |
| - Transportation charges | 5.74 | 7.32 | - | - | - | - | - | 13.06 | |
| - Others | 1.01 | 1.66 | - | - | - | - | - | 2.67 | |
| Sub-total | 46.86 | 93.39 | 22.34 | 46.98 | 1.58 | 2.36 | 10.66 | 224.17 | |

FINANCIAL REVIEW

Results of Operations

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

| | For the six months ended 30 June | | | | | | | |
|--|--|---|-----------------------|------------------------------|--|---|-----------------------|------------------------------|
| | 2022 | | | | 2021 | | | |
| | Sales Volume ⁽¹⁾ (Tonnes) | Average Selling Price (US\$ per tonne) | Revenue (US\$'000) | % of Total Revenue (%) | Sales Volume ⁽¹⁾ (Tonnes) | Average Selling Price (US\$ per tonne) | Revenue (US\$'000) | % of Total Revenue (%) |
| Blister copper and copper anodes | 157,508 | 8,864 | 1,396,211 | 63.3 | 182,970 | 8,496 | 1,554,500 | 73.7 |
| Copper cathodes | 71,821 | 8,910 | 639,926 | 29.0 | 56,790 | 8,245 | 468,213 | 22.1 |
| Sulfuric acid | 356,761 | 266 | 94,954 | 4.3 | 393,818 | 160 | 62,915 | 3.0 |
| Liquid sulphur dioxide | 13,803 | 1,174 | 16,207 | 0.7 | 11,998 | 804 | 9,652 | 0.5 |
| Cobalt contained in cobaltous hydroxide | 685 | 59,961 | 41,073 | 1.9 | 211 | 31,621 | 6,672 | 0.3 |
| Copper product processing services ⁽²⁾ | 36,602 | 508 | 18,577 | 0.8 | 14,982 | 508 | 7,605 | 0.4 |
| Total | 637,180 | | 2,206,948 | 100.0 | 660,769 | | 2,109,557 | 100.0 |

Notes:

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

Revenue

The revenue of the Group increased by 4.6% from US\$2,109.6 million in the first half of 2021 to US\$2,206.9 million in the first half of 2022, primarily attributable to the increase in the sales volume of copper cathodes as Kambove Mine was put into operation and the increase in the average selling prices.

The revenue from sales of blister copper and copper anodes decreased by 10.2% from US\$1,554.5 million in the first half of 2021 to US\$1,396.2 million in the first half of 2022, primarily attributable to the year-on-year decrease in sales volume.

The revenue from sales of copper cathodes increased by 36.7% from US\$468.2 million in the first half of 2021 to US\$639.9 million in the first half of 2022, primarily attributable to the year-on-year increase in sales volume and average selling price.

The revenue from sales of sulfuric acid increased by 51.0% from US\$62.9 million in the first half of 2021 to US\$95.0 million in first half of 2022, primarily attributable to the increase in average selling price of sulfuric acid as compared with the same period last year.

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

| | For the six months ended 30 June | | | | | | | |
|---|----------------------------------|--------------------|----------------|---------------------|------------------|--------------------|----------------|---------------------|
| | 2022 | | | | 2021 | | | |
| | Cost of Sales | Unit Cost of Sales | Gross Profit | Gross Profit Margin | Cost of Sales | Unit Cost of Sales | Gross Profit | Gross Profit Margin |
| | (US\$'000) | (US\$ per tonne) | (US\$'000) | (%) | (US\$'000) | (US\$ per tonne) | (US\$'000) | (%) |
| Blister copper and copper anodes | 1,273,252 | 8,084 | 122,959 | 8.8 | 1,234,072 | 6,745 | 320,428 | 20.6 |
| Copper cathodes | 340,390 | 4,739 | 299,536 | 46.8 | 223,217 | 3,931 | 244,996 | 52.3 |
| Sulfuric acid | 32,753 | 92 | 62,201 | 65.5 | 18,824 | 48 | 44,091 | 70.1 |
| Liquid sulphur dioxide | 3,214 | 233 | 12,993 | 80.2 | 2,320 | 193 | 7,332 | 76.0 |
| Cobalt contained in cobaltous hydroxide | 10,277 | 15,003 | 30,796 | 75.0 | 3,392 | 16,076 | 3,280 | 49.2 |
| Copper product processing services ⁽¹⁾ | 16,086 | 439 | 2,491 | 13.4 | 9,170 | 612 | (1,565) | -20.6 |
| Total | 1,675,972 | | 530,976 | 24.1 | 1,490,995 | | 618,562 | 29.3 |

Notes:

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

Cost of sales

The cost of sales of the Group increased by 12.4% to US\$1,676.0 million in the first half of 2022 from US\$1,491.0 million in the first half of 2021, primarily due to the increase in raw material cost of copper concentrates and oxide ore resulting from the higher fluctuation of the global copper price and the increase in the sales volume of copper cathodes as Kambove Mine was put into operation.

The cost of sales of blister copper and copper anodes increased by 3.2% from US\$1,234.1 million in the first half of 2021 to US\$1,273.3 million in the first half of 2022, primarily due to the increase in raw material cost of copper concentrates resulting from the higher fluctuation in global copper price.

The cost of sales of copper cathodes increased by 52.5% from US\$223.2 million in the first half of 2021 to US\$340.4 million in the first half of 2022, primarily due to the increase in raw material cost of outsourced oxide ore resulting from the higher fluctuation in global copper price and the year-on-year increase in the sales volume of copper cathodes.

The cost of sales of sulfuric acid increased by 74.5% from US\$18.8 million in the first half of 2021 to US\$32.8 million in the first half of 2022, primarily due to the inclusion of shipping cost from the cost of customer contract performance into the cost of sales for the current period.

Gross profit and gross profit margin

Due to the above factors, the Group recorded a gross profit of US\$531.0 million in the first half of 2022, representing a decrease of 14.2% from US\$618.6 million in the same period of 2021. The gross profit margin decreased from 29.3% in the first half of 2021 to 24.1% in the first half of 2022, which was mainly attributable to the increase in raw material cost of outsourced copper concentrates and oxide ore resulting from the increase of the global copper price.

Distribution and selling expenses

The distribution and selling expenses of the Group decreased by US\$40.3 million from US\$43.6 million in the first half of 2021 to US\$3.3 million in the first half of 2022, primarily due to the decrease in selling expenses for the current period resulting from the inclusion of shipping cost and customs clearance fees mainly from the cost of customer contract performance into the cost of sales.

Finance costs

The finance costs of the Group decreased by 22.2% from US\$18.0 million in the first half of 2021 to US\$14.0 million in the first half of 2022, primarily due to the year-on-year decrease in interest-bearing liabilities.

Other gains and losses

In terms of other gains and losses, the Group recorded a net loss of US\$3.3 million in the first half of 2022, decreased by US\$21.3 million from the net gain of US\$18.0 million in the first half of 2021, which was primarily due to the year-on-year decrease in the gain derived from changes in fair value of financial instruments.

Income tax expense

The income tax expense of the Group decreased by 24.1% from US\$182.1 million in the corresponding period of 2021 to US\$138.2 million in the first half of 2022, primarily due to the year-on-year decrease in profit before tax.

Profit attributable to owners of the Company

Due to the aforementioned factors, profit attributable to owners of the Company decreased by 17.7% from US\$238.5 million in the first half of 2021 to US\$196.2 million in the first half of 2022.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash generated from operating activities

Net cash generated from the operating activities of the Group was US\$276.9 million in the first half of 2022, which decreased by US\$92.8 million from US\$369.7 million in the first half of 2021, mainly attributable to the year-on-year decrease in operating profit during the reporting period.

Net cash used in investing activities

The net cash used in investing activities of the Group was US\$14.2 million in the first half of 2022, which decreased by US\$68.7 million from US\$82.9 million in the first half of 2021, mainly attributable to the decrease in investment in fixed assets during the reporting period as the Kambove Main Mine Leach Copper Smelting Project put into operation.

Net cash (used in)/generated from financing activities

The net cash used in financing activities of the Group was US\$61.3 million in the first half of 2022, which decreased by US\$117.9 million from the net cash inflow of US\$56.6 million in the first half of 2021, mainly attributable to the issuance of additional shares in the same period last year to raise funds compared to the absence of such financing in the same period of this year.

Bank balances and cash

The Group's bank balances and cash (including cash and demand deposits) increased by US\$201.5 million from US\$606.7 million as at 31 December 2021 to US\$808.2 million as at 30 June 2022.

Trade receivables at amortised cost/trade receivables at FVTPL

As at 30 June 2022, the Group recorded trade receivables at amortised cost of US\$33.2 million and trade receivables at FVTPL of US\$512.0 million. The trade receivables at FVTPL were the trade receivables arising from the sale of copper products under provisional pricing arrangements. The aggregate trade receivables amounted to US\$545.2 million, which decreased by US\$10.6 million from US\$555.8 million as at 31 December 2021, primarily attributable to the decrease in sales volume of unsettled copper products.

Inventories

Inventories held by the Group increased by US\$10.5 million from US\$848.3 million as at 31 December 2021 to US\$858.8 million as at 30 June 2022, primarily due to the increase in stocks of finished goods.

Trade payables at amortised cost/trade payables designated at FVTPL

As at 30 June 2022, the Group recorded trade payables at amortised cost of US\$286.4 million and trade payables designated at FVTPL of US\$192.3 million. The trade payables designated at FVTPL were the trade payables arising from the purchase of copper concentrates under provisional pricing arrangements. The aggregate trade payables amounted to US\$478.7 million, which decreased by US\$112.4 million from US\$591.1 million as at 31 December 2021, primarily due to the year-on-year decrease in payables for auxiliary materials, spare parts, etc., as well as the decrease in purchase volume of unsettled copper concentrates.

CAPITAL EXPENDITURE

| | For the six months ended 30 June | |
|--|---|-----------------------|
| | 2022 | 2021 |
| | <i>(US\$'000)</i> | <i>(US\$'000)</i> |
| | (Unaudited) | (Unaudited) |
| Mining and ore processing facilities at Chambishi | | |
| Southeast Mine of NFCA | 13,419 | 22,416 |
| Other mining and ore processing facilities at NFCA | 8,798 | 2,825 |
| Mining and ore processing facilities at | | |
| Luanshya (Roan Mine) | – | 1,481 |
| Mining and leaching facilities at | | |
| Luanshya (Muliashi Project) | 424 | 3,928 |
| Other facilities at Luanshya | 453 | 135 |
| Smelting facilities at CCS | 2,048 | 1,356 |
| Leaching facilities at Chambishi Leach Plant | 499 | 677 |
| Leaching facilities at CNMC Huachin Leach Project | 1,016 | 1,928 |
| Leaching facilities at Mabende Project | 308 | 804 |
| Smelting facilities at Lualaba Copper Smelter | 2,879 | 2,565 |
| Mining and ore processing facilities at Kambove | | |
| Mining | 4,551 | 83,169 |
| Other facilities at Luano Project | 41 | 110 |
| | <hr/> | <hr/> |
| Total | <u>34,436</u> | <u>121,394</u> |

The total capital expenditure of the Group decreased by US\$87.0 million from US\$121.4 million in the first half of 2021 to US\$34.4 million in the first half of 2022, primarily due to the decrease in the investment in mining and ore processing facilities at Kambove Mining.

MARKET RISK DISCLOSURE

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

Commodity price risk

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

Foreign currency exchange risk

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

Interest rate risk

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

EMPLOYEE INFORMATION

As at 30 June 2022, the Group had 8,874 employees, which comprised 905 Chinese employees and 7,969 local employees in Zambia and the DRC. The total cost of employees incurred by the Group for the six months ended 30 June 2022 was approximately US\$65.5 million (for the six months ended 30 June 2021: US\$54.8 million).

FUTURE PROSPECTS

In the first half of 2022, the Company has continued the good development trend as last year. Under the overall guidance of Covid-19 pandemic prevention and control and production and operation, the investees seized the opportunity of high copper price at the beginning of the year, stabilized production and raised efficiency, and all production and operation data has reached the expected goal and achieved “more than half of the output when reaching mid-year”. Meanwhile, after being included into the Stock Connect in March this year, the Company was included into the MSCI China Small Cap Index in May, which signifies that the Company is further recognized in the capital market and laid a foundation for capital operation in the next stage and sustainable high-quality development.

Since two quarters this year, influenced by factors such as the tightening of the US Federal Reserve, geopolitical conflicts and Covid-19 pandemic, the market sentiment has been generally pessimistic, plus a gloomy market outlook and liquidity strain, leading to a collective pullback on the prices of the nonferrous metals. Meanwhile, according to ICSG, the global refined copper production is expected to grow by approximately 4.3%, faster supply growth than the demand growth eases the supply constraints, which lowers the copper price to some extent. In the second half of the year, it is expected that the balance sheet reduction by the US and European countries will become significant financial events, which may continue to inflict impacts on the price of the nonferrous industry. However, we also noticed that as the largest copper consumer, China is gradually implementing its steady growth policy, and with the eased Covid-19 pandemic, there is a higher market expectation. The new energy and power industry continue to grow fast, which supports the copper demand to some extent. With the gradual release of the negative sentiment, the international copper price may fluctuate at the current level.

Despite the fact that the large swings of the copper price have made certain impact on the Company, all production and operation tasks are progressing as planned. In the second half of the year, the management will firmly implement the working method of “seeking higher results with stead pace” of the controlling shareholders under the leadership of the Board, stabilize the production and secure profits, attach great importance on safety and environmental protection, compliant operation and sustainable development, and accelerate the implementation of various reforms, ensure the completion of the annual production and operation task indicators, to realize the overall goal of stabilizing the growth in 2022.

OTHER INFORMATION

General Information

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

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

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

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

As at 30 June 2022, none of the Directors or chief executives had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or interests and short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests and short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as stipulated in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

* *Translation of English name for reference purpose only*

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

As at 30 June 2022, so far as it is known to the Directors and the chief executive of the Company, interests or short positions which shall be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Long positions in Shares:

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

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

Save as disclosed above, as at 30 June 2022, no other person had any interests or short positions in the Shares or underlying Shares of the Company which was required to be recorded in the register pursuant to section 336 of the SFO.

As at 30 June 2022, each of the following entities was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

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

* Translation of English name for reference purpose only

| Member of the Group | Entity with 10% or more interest (other than member of the Group) | Percentage of that entity's interest |
|----------------------------|--|---|
| Lualaba Copper Smelter | Yunnan & Hongkong Metal Company Limited (“YH Metal”) | 38% |
| Kingsail Limited | YH Metal | 40% |

Save as disclosed above, as at 30 June 2022, no other persons were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had engaged in any business which competes or may compete directly or indirectly with the business of the Group for the six months ended 30 June 2022.

CORPORATE GOVERNANCE

Mr. Jinjun ZHANG was appointed as the Chairman of the Board on 8 January 2021, and continued to serve as the President of the Company. Save as that Mr. Jinjun ZHANG serves as the Chairman and President of the Company with effect from 8 January 2021 which is at variance with code provision C.2.1 of the CG Code (as defined below), none of the Directors is aware of any information which would reasonably indicate that the Company has not, for the six months ended 30 June 2022, complied with the code provisions as set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 to the Listing Rules.

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

The Board had been identifying a suitable candidate to act as the President of the Company. Subsequent to the period under review, on 4 August 2022, due to personal work adjustment, Mr. Jinjun ZHANG ceased to be the President of the Company. Since that day, Mr. Jinping MA, the Vice President of the Company, has temporarily performed the duties of the President. Since then, the roles of the Chairman and the President of the Company are performed by different persons.

CHANGES IN THE INFORMATION OF THE DIRECTORS

Mr. Huanfei GUAN, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of Guangdong – Hong Kong Greater Bay Area Holdings Limited (stock code: 01396) since 27 June 2022, shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Save as mentioned above, since 27 April 2022 (the date of publication of the 2021 Annual Report), there has been no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and paragraph D.3 of Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the “**Audit Committee**”). The primary duties of the Audit Committee are to supervise the financial reporting process and internal control and risk management systems of the Group. Members of the Audit Committee are Mr. Yaoyu TAN, a non-executive Director, and Mr. Jingwei LIU and Mr. Huanfei GUAN, independent non-executive Directors. The Audit Committee has reviewed the Group’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2022 and was of the opinion that such unaudited interim condensed consolidated financial information complied with the applicable accounting standards, the Listing Rules and legal requirements, and that disclosures had been made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (“**Model Code**”). The Company had also made specific enquiries to all Directors and confirmed that all of them complied with the Model Code throughout the six months ended 30 June 2022.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities throughout the six months ended 30 June 2022.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.cnmcl.net) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2022, which sets out all information required under the Listing Rules, will be despatched to the shareholders of the Company and available on the above websites in due course.

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

Beijing, 30 August 2022

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