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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)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS OF THE GROUP

In 2020, the Group's production system continues to maintain its high-load operations, with its major projects putting into production in the middle of the year resulting in a significant year-on-year increase in the output of main products. Moreover, attributed to the year-on-year increase in global copper prices, the Group recorded revenue of US\$2,597.2 million, representing an increase by US\$588.5 million from US\$2,008.7 million in 2019.

In 2020, the Group recorded profit of US\$196.9 million, representing a decrease by US\$27.6 million from US\$224.5 million in 2019.

In 2020, the Group recorded profit attributable to owners of the Company of US\$125.0 million, representing a decrease by US\$9.9 million from US\$134.9 million in 2019.

In 2020, basic earnings per share attributable to owners of the Company was approximately US¢3.58 (equivalent to approximately HK\$0.28), representing a decrease by approximately US¢0.29 (equivalent to approximately HK\$0.02) from approximately US¢3.87 (equivalent to approximately HK\$0.30) in 2019.

The Board proposes a payment of US¢1.4327 per share as final dividend for the year of 2020.

FINANCIAL INFORMATION

The board of directors (the “**Board**”) of China Nonferrous Mining Corporation Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the corresponding period in 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 US\$'000	2019 US\$'000
Revenue from contracts with customers	3, 4	2,597,213	2,008,719
Cost of sales		<u>(1,967,771)</u>	<u>(1,540,246)</u>
Gross profit		629,442	468,473
Other income		7,634	13,455
Other gains and losses	5	(122,860)	(32,979)
Distribution and selling expenses		(67,886)	(41,920)
Administrative expenses		(91,486)	(64,430)
Other expenses		(7,967)	(1,908)
Finance costs	6	<u>(37,022)</u>	<u>(16,656)</u>
Profit before tax		309,855	324,035
Income tax expense	7	<u>(112,915)</u>	<u>(99,521)</u>
Profit and total comprehensive income for the year		<u>196,940</u>	<u>224,514</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		124,965	134,874
Non-controlling interests		<u>71,975</u>	<u>89,640</u>
		<u>196,940</u>	<u>224,514</u>
Earnings per share			
– Basic and diluted	9	US¢3.58/share	US ¢3.87/share
– Basic and diluted (HK\$ equivalent)	9	<u>HK\$0.28/share</u>	<u>HK\$0.30/share</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

		2020	2019
	Notes	US\$'000	US\$'000
ASSETS			
Non-current Assets			
Property, plant and equipment		1,719,997	1,693,734
Right-of-use assets		14,895	19,860
Mining rights		136,187	78,225
Restricted bank balances		1,505	6,146
Deferred tax assets		20,588	18,735
Prepayments and other receivables		34,508	94,391
		1,927,680	1,911,091
Current Assets			
Inventories	10	671,427	530,093
Finance lease receivables		–	63
Trade receivables at amortised cost	11	20,666	11,496
Trade receivables at fair value through profit or loss (“FVTPL”)	11	227,740	162,212
Prepayments and other receivables		185,728	218,069
Restricted bank balances		2,289	1,297
Bank balances and cash		497,829	481,210
		1,605,679	1,404,440
Total Assets		3,533,359	3,315,531

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2020

		2020	2019
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		613,233	613,233
Retained profits		498,531	400,571
Equity attributable to owners of the Company		1,111,764	1,013,804
Non-controlling interests		547,178	522,272
Total Equity		1,658,942	1,536,076
Non-current Liabilities			
Deferred tax liabilities		63,233	44,775
Bank and other borrowings			
– due after one year	13	464,000	894,480
Lease liabilities		13,424	18,601
Provision for restoration, rehabilitation and environmental costs		28,272	23,131
Deferred income		16,345	16,566
		585,274	997,553
Current Liabilities			
Trade payables	12	219,728	156,478
Trade payables designated at FVTPL	12	205,178	116,051
Other payables and accrued expenses		114,417	84,034
Income tax payable		123,525	97,306
Bank and other borrowings			
– due within one year	13	597,442	301,298
Lease liabilities		6,770	6,802
Contract liabilities		11,141	18,502
Financial liabilities designated at FVTPL		10,942	1,431
		1,289,143	781,902
Total Liabilities		1,874,417	1,779,455
Total Equity and Liabilities		3,533,359	3,315,531

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity attributable to owners of the Company			Non- controlling interests	Total equity
	Share capital <i>US\$'000</i>	Retained profits <i>US\$'000</i>	Sub-total <i>US\$'000</i>		
At 1 January 2019	613,233	294,949	908,182	388,373	1,296,555
Profit and total comprehensive income for the year	–	134,874	134,874	89,640	224,514
Dividend declared by a subsidiary	–	–	–	(14,400)	(14,400)
Capital contribution by a non-controlling shareholder of a subsidiary	–	–	–	58,659	58,659
Dividend declared by the Company	–	(29,252)	(29,252)	–	(29,252)
At 31 December 2019	613,233	400,571	1,013,804	522,272	1,536,076
Profit and total comprehensive income for the year	–	124,965	124,965	71,975	196,940
Dividend declared by a subsidiary	–	–	–	(47,069)	(47,069)
Dividend declared by the Company	–	(27,005)	(27,005)	–	(27,005)
At 31 December 2020	613,233	498,531	1,111,764	547,178	1,658,942

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 US\$'000	2019 <i>US\$'000</i>
NET CASH FROM OPERATING ACTIVITIES	482,454	368,736
NET CASH USED IN INVESTING ACTIVITIES	(210,330)	(420,080)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(249,941)</u>	<u>28,748</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,183	(22,596)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	481,210	505,091
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	<u>(5,564)</u>	<u>(1,285)</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER,		
Represented by:		
Bank balances and cash	<u>497,829</u>	<u>481,210</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. 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. In the opinion of the directors of the Company (the “**Directors**”), as at the date of this announcement, the Company’s immediate holding company is China Nonferrous Mining Development Limited, a private company incorporated in the British Virgin Islands (“**CNMD**”), and the Company’s ultimate holding company is China Nonferrous Metal Mining (Group) Co., Ltd (“**CNMC**”), an enterprise established in the People’s Republic of China (the “**PRC**”). The registered office of the Company is located at Unit 1303, 13/F, Austin Tower, 22-26 Austin Avenue, Tsimshatsui, Kowloon, Hong Kong, and its principal places of business are located at 32 Enos Chomba Road, Kitwe, the Republic of Zambia (“**Zambia**”) and Bloc B-Luano City-Route Aeroport Commune Annexe Lubumbashi, the Democratic Republic of Congo (“**DRC**”).

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

The consolidated financial statements of the Group are presented in United States dollar (“**US\$**”), which is also the functional currency of the Company.

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results 2020 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Cap 622 of the laws of Hong Kong) (“**CO**”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the CO and will deliver the financial statements for the year ended 31 December 2020 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the CO (or under their equivalent requirements found in section 141 of the predecessor CO).

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to AKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKAS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (Continued)

- ¹ Effective for annual periods beginning on or after 1 January 2023.
- ² Effective for annual periods beginning on or after 1 January 2022.
- ³ Effective for annual periods beginning on or after a date to be determined.
- ⁴ Effective for annual periods beginning on or after 1 June 2020.
- ⁵ Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The Group’s existing accounting policy is to account for sale proceeds on samples produced during testing as reduction of cost of the relevant property, plant and equipment. Upon application of the amendments, such sale proceeds and the related costs will be included in profit and loss with corresponding adjustments to the cost of property, plant and equipment. During the year ended 31 December 2020, sale proceeds and related costs included in property, plant and equipment amounted to US\$173,278,000 and US\$188,058,000 respectively.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregation of revenue from contracts with customers

	2020	
	Leaching US\$'000	Smelting US\$'000
Types of goods		
Sales of goods to external customers		
Copper cathodes	662,897	–
Blister copper and copper anodes	–	1,781,780
Sulfuric acid	–	117,689
Liquid sulphur dioxide	–	15,629
Cobalt hydroxide	3,008	–
Copper products processing services	–	16,210
Total	<u>665,905</u>	<u>1,931,308</u>
Timing of revenue recognition		
A point in time	<u>665,905</u>	<u>1,931,308</u>
	2019	
	Leaching US\$'000	Smelting US\$'000
Types of goods		
Sales of goods to external customers		
Copper cathodes	553,672	–
Blister copper and copper anodes	–	1,344,641
Sulfuric acid	–	110,406
Total	<u>553,672</u>	<u>1,455,047</u>
Timing of revenue recognition		
A point in time	<u>553,672</u>	<u>1,455,047</u>

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(ii) Performance obligations for contracts with customers

The Group sells copper products, sulphuric acid, liquid sulphur dioxide and cobalt hydroxide and renders copper products processing services to customers, revenue is recognised when control of the goods or services has transferred based on the terms of relevant contracts. In most cases, the control of goods has transferred upon delivery when the goods have been shipped at the Group's premises. In some other cases, the control of goods has transferred upon delivery at specific destination ports. Revenue from the rendering of copper products processing service is recognised when control of the completed processing copper products has transferred based on the terms of the service contracts. The Group normally requires prepayments from customers before goods dispatch with the remainder to be settled not exceeding one month upon issuance of sales invoice.

All sales are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board, being the chief operating decision maker (the "CODM"), in order to allocate resources to the segments and to assess their performance.

Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the types of goods produced. The Group's operating and reportable segments in current year under HKFRS 8 *Operating Segments* are as follows:

- Leaching – Production and sale of copper cathodes (including exploration and mining of oxide copper mines) which are produced using the solvent extraction-electrowinning technology; and
- Smelting - Production and sale of blister copper and copper anodes, copper-cobalt alloy, cobaltous hydroxide (including exploration and mining of sulfuric copper mines), and sulfuric acid which are produced using ISA smelting technology. Sulfuric acid and liquid sulphur dioxide are by-products in the production of blister copper and copper anodes and copper-cobalt alloy. Copper products processing services are also rendered using ISA smelting technology.

No operating segments have been aggregated to be derived from the reportable segments of the Group.

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the year ended 31 December 2020

	Leaching US\$'000	Smelting US\$'000	Consolidated US\$'000
Total segment revenue	665,905	1,972,792	2,638,697
Less: inter-segment sales	—	(41,484)	(41,484)
Revenue from external customers	<u>665,905</u>	<u>1,931,308</u>	<u>2,597,213</u>
Segment profit	<u>127,583</u>	<u>76,559</u>	204,142
Unallocated income*			971
Unallocated expenses [#]			<u>(8,173)</u>
Profit for the year			<u>196,940</u>

For the year ended 31 December 2019

	Leaching US\$'000	Smelting US\$'000	Consolidated US\$'000
Total segment revenue	553,672	1,515,610	2,069,282
Less: inter-segment sales	—	(60,563)	(60,563)
Revenue from external customers	<u>553,672</u>	<u>1,455,047</u>	<u>2,008,719</u>
Segment profit	<u>145,893</u>	<u>89,685</u>	235,578
Unallocated income*			3,579
Unallocated expenses [#]			<u>(14,643)</u>
Profit for the year			<u>224,514</u>

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

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

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Segment profit represents the profit earned by each segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

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

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
<i>Segment assets</i>		
Leaching	1,005,540	801,444
Smelting	<u>2,509,331</u>	<u>2,326,832</u>
Total segment assets	3,514,871	3,128,276
Unallocated assets*	29,178	190,694
Elimination	<u>(10,690)</u>	<u>(3,439)</u>
Consolidated assets	<u><u>3,533,359</u></u>	<u><u>3,315,531</u></u>
<i>Segment liabilities</i>		
Leaching	401,246	367,736
Smelting	<u>1,427,834</u>	<u>1,311,231</u>
Total segment liabilities	1,829,080	1,678,967
Unallocated liabilities*	56,027	103,927
Elimination	<u>(10,690)</u>	<u>(3,439)</u>
Consolidated liabilities	<u><u>1,874,417</u></u>	<u><u>1,779,455</u></u>

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

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities, other than certain assets and liabilities of the Holding Companies, are allocated to reportable and operating segments.

5. OTHER GAINS AND LOSSES

	2020 US\$'000	2019 US\$'000
Loss on disposal of property, plant and equipment, net	(408)	(300)
Impairment loss reversed (recognised) in respect of		
– input VAT receivables	7,866	(5,879)
– financial assets under ECL	(13,845)	2,316
– mining rights	(16,898)	–
Foreign exchange losses, net*	(57,703)	(24,883)
(Loss) gain from changes in fair value of financial liabilities/assets at FVTPL		
– financial liabilities designated at FVTPL	(41,843)	(1,652)
– trade receivables at FVTPL	91,159	515
– trade payables designated at FVTPL	(91,188)	(3,096)
	<u>(122,860)</u>	<u>(32,979)</u>

* The amount included exchange losses arising from the retranslation of input VAT receivables denominated in Zambia Kwacha (“ZMK”) to US\$ amounting to US\$52,780,000 during the current year (2019: US\$23,344,000).

6. FINANCE COSTS

	2020 US\$'000	2019 US\$'000
Interest on bank and other borrowings	51,352	61,947
Interest on lease liabilities	938	–
Unwinding of the discount	802	926
	<u>53,092</u>	<u>62,873</u>
Less: amounts capitalised in construction in progress arose on the borrowings specifically for the purpose of qualifying assets	<u>(16,070)</u>	<u>(46,217)</u>
	<u>37,022</u>	<u>16,656</u>
The weighted average capitalisation rate used to determine the amount of borrowing costs arose on the borrowings specifically eligible for capitalisation (per annum)	<u>3.72%-5.34%</u>	<u>5.48%</u>

7. INCOME TAX EXPENSE

Income tax expense recognised in profit or loss:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Current tax:		
– Income tax in The Republic of Ireland (“ Ireland ”)	5	5
– Income tax in DRC	34,900	30,975
– Income tax in Zambia	<u>61,405</u>	<u>45,271</u>
	96,310	76,251
Deferred tax		
– Current year	<u>16,605</u>	<u>23,270</u>
Total income tax expense	<u>112,915</u>	<u>99,521</u>

Income tax in Ireland is calculated at 12.5% (2019: 12.5%) on the estimated assessable income.

Income tax in DRC is calculated at 30% (2019: 30%) on the estimated assessable income where 30% of the assessable income exceeds 1% of gross sales, and calculated at 1% of gross sales where 30% of the assessable income does not exceeds 1% of gross sales.

Income tax in Zambia is calculated at 35% (2019: 35%) on the assessable income, except for that arising from mining activities which is stated as below.

For both reporting periods, the applicable tax rate on income from mining operation in Zambia is 30% where the assessable income does not exceed 8% of gross sales and variable tax rate up to 15% plus 30% where the assessable income exceed 8% of gross sales, and the mineral royalty is not allowed to deduct from profit before tax. Accordingly for both reporting periods, the applicable tax rate on the assessable income of Chambishi Copper Smelter Limited (“**CCS**”) is 35%, and the applicable tax rate on the assessable income of NFC Africa Mining PLC (“**NFCA**”), CNMC Luanshya Copper Mines PLC (“**Luanshya**”) and Sino-metals Leach Zambia Limited (“**SML**”) ranges from 30% to 45%.

The Group enjoyed the following income tax incentives:

- CCS is eligible for the tax exemption for the first five profitable years; 50% income tax relief for the next three years thereafter; and 25% of income tax relief for the next two years thereafter. The tax incentives are applicable to the assessable profit generated from the two different phases of production facilities of CCS with different dates of commencement of the tax incentives. One of the phases of production facilities of CCS is not eligible for income tax relief for the first year during 2020 (2019: 25%). The remaining phase of production facilities of CCS is under the first year of 50% income tax relief during the current year (2019: 100%). The actual applicable tax rate of CCS is 27.1% during the current year (2019: 14.4%).

7. INCOME TAX EXPENSE (CONTINUED)

According to the Convention between the Republic of Zambia and Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Tax on, which is effective on 1 January 2016, certain dividend paid by a company which is a resident of Zambia to a resident of Ireland may be taxed in Zambia according to tax law of Zambia, but as the beneficial owner of the dividends is a resident of Ireland, the tax so charged shall not exceed 7.5% of the gross amount of the dividends in Zambia. Therefore certain dividend income of CNMH from CCS is subject to withholding tax in Zambia at tax rate of 7.5% (2019: 7.5%) and certain dividend income of CNMH from Luanshya, NFCA and SML is under withholding tax relief for both years.

Certain dividend income of CNMHK from DRC subsidiaries is subject to withholding income tax in DRC at tax rate of 10% (2019: 10%).

8. DIVIDENDS

	2020 US\$'000	2019 US\$'000
Dividends recognised as distribution during the year:		
2020 Final, paid – US¢ 0.7740 per share	27,005	–
2019 Final, paid – US¢ 0.8384 per share	–	29,252
	<u>27,005</u>	<u>29,252</u>

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2020 of US¢ 1.4327 per share amounting to approximately US\$49,987,419 (2019: US¢ 0.7740 per share amounting to US\$27,005,200) has been proposed by the Directors and is subject to the approval of the shareholders of the Company in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2020	2019
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share (<i>in US\$'000</i>)	<u>124,965</u>	<u>134,874</u>
Number of ordinary shares for the purpose of basic and diluted earnings per share (<i>in '000</i>)	<u>3,489,036</u>	<u>3,489,036</u>
Earnings per share		
– Basic and diluted	US¢3.58/share	US ¢ 3.87/share
– Basic and diluted (<i>HK\$ equivalent</i>)	<u>HK\$0.28/share</u>	<u>HK\$0.30/share</u>

During the years ended 31 December 2020 and 2019, there was no potential ordinary share outstanding with diluted impact.

10. INVENTORIES

	2020 US\$'000	2019 US\$'000
Raw materials	415,646	323,677
Spare parts and consumables	89,699	101,528
Work in progress	110,149	84,203
Finished goods	55,933	20,685
	<u>671,427</u>	<u>530,093</u>

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

	2020 US\$'000	2019 US\$'000
Trade receivables at amortised cost – contracts with customers	22,463	12,020
Less: Allowance for credit losses	<u>(1,797)</u>	<u>(524)</u>
	<u>20,666</u>	<u>11,496</u>
Trade receivables at FVTPL – contracts with customers	<u>227,740</u>	<u>162,212</u>

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

	2020 US\$'000	2019 US\$'000
0 to 30 days	13,625	6,450
31 to 90 days	7,041	3,263
91 to 180 days	–	360
181 to 365 days	<u>–</u>	<u>1,423</u>
	<u>20,666</u>	<u>11,496</u>

**11. TRADE RECEIVABLES AT AMORTISED COST/TRADE RECEIVABLES AT FVTPL
(CONTINUED)**

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

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
0 to 30 days	196,126	144,259
31 to 90 days	27,472	13,085
91 to 180 days	4,142	4,868
	<u>227,740</u>	<u>162,212</u>

12. TRADE PAYABLES/TRADE PAYABLES DESIGNATED AT FVTPL

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Trade payables	219,728	156,478
Trade payables designated at FVTPL	205,178	116,051

The following is an aged analysis of trade payables presented based on the invoice date:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
0 to 30 days	101,332	74,979
31 to 90 days	34,435	18,042
91 to 180 days	19,207	17,517
181 to 365 days	17,135	630
1–2 years	3,290	981
Over 2 years	44,329	44,329
	<u>219,728</u>	<u>156,478</u>

The following is an aged analysis of trade payables designated at FVTPL presented based on the invoice date:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
0 to 30 days	169,845	85,941
31 to 90 days	26,230	11,976
91 to 180 days	7,715	10,728
181 to 365 days	1,388	7,406
	<u>205,178</u>	<u>116,051</u>

13. BANK AND OTHER BORROWINGS

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Bank loans, unsecured	929,480	1,043,693
Loan from a fellow subsidiary, unsecured	130,000	130,000
Loan from a non-controlling shareholder of a subsidiary, unsecured	–	20,000
Interest payable	1,962	2,085
	<u>1,061,442</u>	<u>1,195,778</u>
The carrying amounts of the above borrowings are repayable:		
Within one year	597,442	301,298
More than one year but not exceeding two years	112,500	365,480
More than two years but not exceeding five years	240,000	372,500
More than five years	111,500	156,500
	1,061,442	1,195,778
Less: Amounts due within one year shown under current liabilities	<u>(597,442)</u>	<u>(301,298)</u>
Amounts shown under non-current liabilities	<u>464,000</u>	<u>894,480</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2020, the Group spared no efforts in market expansion, with an equal emphasis on production and management, construction of projects and cost management. To this end, the operation quality and growth momentum improved and the main production and operation indicators of the Group has overfulfilled its annual budget and plan.

During the reporting period, revenue has increased by 29.3% to US\$2,597.2 million over the last year as a result of the continued growth in sales volumes of the Group's products and the impact of a year-on-year increase of international copper price.

During the reporting period, the profit attributable to owners of the Company amounted to US\$125.0 million, representing a decrease of US\$9.9 million over the last year.

Meanwhile, along with the commencement of operation of the projects including the Integrated Exploration and Construction Project of Chambishi Southeast Mine (with an investment of US\$832 million), the blister copper smelting project of Lualaba Copper Smelter SAS (盧阿拉巴銅冶煉股份有限公司*) (“**Lualaba Copper Smelter**”) (with an investment of US\$437.6 million) and the reconstruction and expansion project of CNMC Huachin Mabende Mining SA (中色華鑫馬本德礦業股份有限公司*) (“**CNMC Huachin Mabende**”) as well as the construction of the Main mine project of Kambove Mining, the foundation for the Group’s business growth will be further consolidated.

BUSINESS REVIEW

The Group is a leading, fast-growing and vertically integrated copper producer focusing on mining, ore-processing, leaching, smelting and sales of copper and cobalt, based in the Republic of Zambia (“**Zambia**”) and the Democratic Republic of the Congo (“**DRC**”). In particular, sulphuric acid and liquid sulphur dioxide are by-products generated during the blister copper smelting process. The Group is making greater efforts to develop cobalt business.

The businesses of the Group are principally carried out through the following companies: NFC Africa Mining PLC (中色非洲礦業有限公司*) (“**NFCA**”), CNMC Luanshya Copper Mines PLC (中色盧安夏銅業有限公司*) (“**Luanshya**”), Chambishi Copper Smelter Limited (謙比希銅冶煉有限公司*) (“**CCS**”) and Sino-Metals Leach Zambia Limited (贊比亞謙比希濕法治煉有限公司*) (“**SML**”) located in Zambia, as well as Huachin Metal Leach SA (中色華鑫濕法治煉股份有限公司*) (“**Huachin Leach**”), CNMC Huachin Mabende Mining SA (中色華鑫馬本德礦業股份有限公司*) (“**CNMC Huachin Mabende**”), Lualaba Copper Smelter and Kambove Mining SAS (剛波夫礦業簡易股份有限公司*) (“**Kambove Mining**”) located in the DRC.

* Translation of English forms for reference purposes only

In 2020, blister copper and copper anodes, and sulphuric acid produced by the Group amounted to 257,219 tonnes and 793,221 tonnes in total, representing an increase of 9.5% and 13.3% over last year, respectively. Copper cathodes produced amounted to 115,904 tonnes, representing an increase of 11.0% over last year; cobaltous hydroxide produced amounted to 191 tonnes; liquid sulphur dioxide produced amounted to 17,102 tonnes; the processed copper products for the Group amounted to 27,389 tonnes. In 2020, revenue of the Group increased by 29.3% to US\$2,597.2 million in 2020 from US\$2,008.7 million in 2019 as a result of the continued growth in sales volumes of the Group's products and the impact of a year-on-year increase of international copper price.

RESOURCES AND RESERVES

Assumptions adopted for the annual update of resources and/or reserves

The same assumptions as those applied in the 2012 prospectus of the Company in accordance with the JORC Code were adopted for the annual update of resources and/or reserves in this announcement. Relevant updates were made according to new exploration and based on the historical data used by technical consultants.

The main changes in resources and/or reserves were attributable to the adjustments arising from production wastage and intensified exploration.

As at 31 December 2020, the Group's mineral resources and mineral reserves reported in accordance with the JORC Code were as follows:

(1) Resources

Chambishi Main Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	9.73	2.33%	–	–	9.18	2.31%	–	–
Indicated	3.86	2.43%	–	–	3.30	2.68%	–	–
Inferred	7.47	2.33%	–	–	7.32	2.44%	–	–
	<u>7.47</u>	<u>2.33%</u>	<u>–</u>	<u>–</u>	<u>7.32</u>	<u>2.44%</u>	<u>–</u>	<u>–</u>

Note: Mining exploration for production purposes was conducted in 2020, with 134,700 tonnes of ore being extracted.

Chambishi West Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Oxide ore								
Measured	3.64	2.03%	1.00%	-	3.64	2.03%	1.00%	-
Indicated	1.46	1.83%	0.96%	-	1.46	1.83%	0.96%	-
Inferred	1.45	2.32%	1.10%	-	1.45	2.32%	1.10%	-
Sulphide Ore								
Measured	14.68	2.12%	-	-	14.04	2.00%	-	-
Indicated	4.66	2.15%	-	-	4.36	2.22%	-	-
Inferred	3.54	2.18%	-	-	5.76	2.01%	-	-

Note: Mining exploration for production purposes was conducted in 2020, with 1,391,700 tonnes of ore being extracted.

Chambishi Southeast Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	37.54	2.29%	-	0.12%	30.61	2.32%	-	0.11%
Indicated	38.47	1.83%	-	0.10%	42.21	1.93%	-	0.10%
Inferred	52.75	1.87%	-	0.11%	57.67	1.77%	-	0.09%

Note: Mining exploration for production purposes was conducted in 2020, with 1,172,400 tonnes of ore being extracted.

Mwambashi Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	2.14	2.04%	1.18%	-	2.42	2.31%	1.34%	-
Indicated	4.61	2.11%	0.58%	-	4.67	2.12%	0.58%	-
Inferred	3.75	2.06%	-	-	3.77	2.06%	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: 356,700 tonnes of ore were extracted in 2020.

Samba Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	-	-	-	-	-	-	-	-
Indicated	2.80	1.73%	-	-	2.80	1.73%	-	-
Inferred	5.85	1.65%	-	-	5.85	1.65%	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: No mining activities were carried out at Samba Mine in 2020.

Baluba Center Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Oxide ore								
Measured	1.19	2.46%	1.91%	0.18%	1.19	2.46%	1.91%	0.18%
Indicated	2.41	2.30%	1.68%	0.14%	2.41	2.30%	1.68%	0.14%
Inferred	1.70	2.11%	1.17%	0.13%	1.70	2.11%	1.17%	0.13%
Sulphide Ore								
Measured	2.19	2.26%	0.08%	0.12%	5.11	2.13%	0.11%	0.14%
Indicated	0.85	2.22%	0.08%	0.08%	6.32	1.89%	0.12%	0.12%
Inferred	3.85	1.51%	0.08%	0.09%	3.64	1.71%	0.13%	0.14%

Note: In 2020, no exploration or mining activities for oxide ore were carried out at Baluba Center Mine. 1,100,000 tonnes of ore were extracted from sulphide ore.

Muliashi North Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	5.89	1.23%	–	0.03%	6.15	1.24%	–	0.03%
Indicated	5.30	1.13%	–	0.02%	5.69	1.15%	–	0.02%
Inferred	21.19	1.17%	–	0.01%	21.85	1.18%	–	0.01%

Note: Supplemental exploration was conducted in 2020, with 1,310,000 tonnes of ore being extracted.

Mashiba Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	–	–	–	–	–	–	–	–
Indicated	6.65	2.27%	–	0.02%	6.65	2.27%	–	0.02%
Inferred	1.48	1.94%	–	0.02%	1.48	1.94%	–	0.02%

Note: No mining activities were carried out in 2020.

Baluba East Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	14.64	1.67%	0.67%	0.02%	15.99	1.66%	0.65%	–
Indicated	2.07	1.21%	1.16%	0.01%	2.52	1.25%	0.20%	–
Inferred	0.90	0.98%	0.88%	0.02%	1.35	1.07%	0.17%	–

Note: 2,190,000 tonnes of ore were extracted in 2020.

Roan Basin

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	-	-	-	-	-	-	-	-
Indicated	1.87	1.81%	1.52%	-	-	-	-	-
Inferred	-	-	-	-	2.02	1.77%	1.45%	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.02</u>	<u>1.77%</u>	<u>1.45%</u>	<u>-</u>

Note: 150,000 tonnes of ore were extracted in 2020.

Roan Ext. West

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	-	-	-	-	-	-	-	-
Indicated	2.04	3.56%	3.07%	-	2.49	3.19%	2.97%	-
Inferred	0.31	2.51%	2.31%	-	0.35	2.46%	2.21%	-
	<u>0.31</u>	<u>2.51%</u>	<u>2.31%</u>	<u>-</u>	<u>0.35</u>	<u>2.46%</u>	<u>2.21%</u>	<u>-</u>

Note: 469,400 tonnes of ore were extracted in 2020.

Roan Ext. East

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	-	-	-	-	-	-	-	-
Indicated	4.97	2.94%	2.32%	-	4.97	2.49%	2.32%	-
Inferred	0.22	2.33%	2.20%	-	0.22	2.33%	2.20%	-
	<u>0.22</u>	<u>2.33%</u>	<u>2.20%</u>	<u>-</u>	<u>0.22</u>	<u>2.33%</u>	<u>2.20%</u>	<u>-</u>

Note: No mining activities were carried out in 2020.

Smelting Slag

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	-	-	-	-	-	-	-	-
Indicated	7.28	1.03%	0.31%	-	-	-	-	-
Inferred	-	-	-	-	9.47	1.03%	0.31%	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9.47</u>	<u>1.03%</u>	<u>0.31%</u>	<u>-</u>

Note: Supplemental exploration was conducted in 2020, with 550,000 tonnes of ore being extracted, and 1,640,000 tonnes were lost due to illegal mining and collapse cause by flood.

Kambove Main Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	-	-	-	-	-	-	-	-
Indicated	8.79	3.21%	-	-	8.79	3.21%	-	-
Inferred	2.67	3.09%	-	-	2.67	3.09%	-	-
	<u>2.67</u>	<u>3.09%</u>	<u>-</u>	<u>-</u>	<u>2.67</u>	<u>3.09%</u>	<u>-</u>	<u>-</u>

Kambove Main Open Pit Tailings

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-
Inferred	1.49	0.72%	-	-	1.49	0.72%	-	-
	<u>1.49</u>	<u>0.72%</u>	<u>-</u>	<u>-</u>	<u>1.49</u>	<u>0.72%</u>	<u>-</u>	<u>-</u>

Kambove West Open Pit Tailings

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Measured	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-
Inferred	<u>2.35</u>	<u>1.15%</u>	<u>-</u>	<u>-</u>	<u>2.35</u>	<u>1.15%</u>	<u>-</u>	<u>-</u>

(2) Reserves

Chambishi Main Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Proved	1.48	1.85%	-	-	0.96	1.73%	-	-
Probable	<u>5.85</u>	<u>1.48%</u>	<u>-</u>	<u>-</u>	<u>5.66</u>	<u>1.77%</u>	<u>-</u>	<u>-</u>

Note: 134,700 tonnes of ore were extracted in 2020. The increase in reserves is attributable to the decrease in mining loss rate and infill exploration °

Chambishi West Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total	Oxide			Total	Oxide	
		copper	copper			copper	copper	
Sulphide Ore								
Proved	7.94	1.93%	–	–	3.00	2.00%	–	–
Probable	10.59	1.98%	–	–	9.83	1.80%	–	–

Note: 1,391,700 tonnes of ore were extracted in 2020. The increase in reserves is attributable to the production and mineral exploration.

Chambishi Southeast Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Proved	38.17	2.00%	–	0.11%	27.08	1.91%	–	0.09%
Probable	11.69	1.72%	–	0.08%	16.46	1.67%	–	0.09%

Note: 1,172,400 tonnes of ore were extracted in 2020. The increase in reserves is attributable to the increase in the production, mineral exploration, recovery rate and upgrade of resources.

Mwambashi Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Proved	1.04	2.17%	1.23%	–	1.32	2.22%	1.28%	–
Probable	3.58	2.06%	1.05%	–	3.64	2.07%	1.05%	–

Note: 356,700 tonnes of ore were extracted in 2020.

Baluba Center Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Proved	0.40	1.28%	0.06%	0.10%	0.80	1.34%	–	0.10%
Probable	0.25	1.38%	0.06%	0.10%	0.48	1.34%	–	0.10%

Note: 1,100,000 tonnes of ore were extracted in 2020.

Muliashi North Mine

JORC category	31 December 2019				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Proved	-	-	-	-	-	-	-	-
Probable	9.35	1.18%	0.31%	0.02%	10.66	1.21%	-	-

Note: Supplemental exploration was conducted in 2020, with 1,310,000 tonnes of ore being extracted.

Mashiba Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Proved	-	-	-	-	-	-	-	-
Probable	5.61	2.11%	-	-	5.61	2.11%	-	-

Note: No mining activities were conducted in 2020.

Baluba East Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Proved	7.38	1.77%	0.86%	-	9.61	1.70%	0.81%	-
Probable	0.06	1.54%	0.45%	-	0.14	1.53%	0.50%	-

Note: 2,190,000 tonnes of ore were extracted in 2020.

Roan Ext. West

JORC category	31 December 2020 Average grade				31 December 2019 Average grade			
	Ore (Mt)	Total copper	Oxide copper	Cobalt	Ore (Mt)	Total copper	Oxide copper	Cobalt
Proved	-	-	-	-	-	-	-	-
Probable	<u>1.30</u>	<u>3.72%</u>	<u>3.08%</u>	<u>-</u>	<u>1.78</u>	<u>3.09%</u>	<u>3.03%</u>	<u>-</u>

Note: 469,400 tonnes of ore were extracted in 2020.

Roan Ext. East

JORC category	31 December 2020 Average grade				31 December 2019 Average grade			
	Ore (Mt)	Total copper	Oxide copper	Cobalt	Ore (Mt)	Total copper	Oxide copper	Cobalt
Proved	-	-	-	-	-	-	-	-
Probable	<u>3.68</u>	<u>2.14%</u>	<u>2.10%</u>	<u>-</u>	<u>3.68</u>	<u>2.14%</u>	<u>2.10%</u>	<u>-</u>

Note: No mining activities were conducted in 2020.

Roan Basin

JORC category	31 December 2020 Average grade				31 December 2019 Average grade			
	Ore (Mt)	Total copper	Oxide copper	Cobalt	Ore (Mt)	Total copper	Oxide copper	Cobalt
Proved	-	-	-	-	-	-	-	-
Probable	<u>1.93</u>	<u>2.67%</u>	<u>2.12%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: Supplemental exploration was conducted in 2020, with 150,000 tonnes of ores being extracted.

Smelting Slag

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Proved	-	-	-	-	-	-	-	-
Probable	<u>7.28</u>	<u>1.03%</u>	<u>0.31%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Kambove Main Mine

JORC category	31 December 2020				31 December 2019			
	Ore (Mt)	Average grade		Cobalt	Ore (Mt)	Average grade		Cobalt
		Total copper	Oxide copper			Total copper	Oxide copper	
Proved	-	-	-	-	-	-	-	-
Probable	<u>7.63</u>	<u>2.98%</u>	<u>-</u>	<u>-</u>	<u>7.63</u>	<u>2.98%</u>	<u>-</u>	<u>-</u>

PRODUCTION OVERVIEW

NFCA

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

In 2020, the total amount of metal relating to copper anodes produced by NFCA amounted to 40,163 tonnes, representing a year-on-year increase of 58.4%. Such increase was primarily attributable to the commercial production of Southeast Mine in July 2020.

Luanshya

Luanshya operates three copper mines under production, namely Baluba Center Mine, Muliashi North Mine, Baluba East Mine, and also operates Muliashi Leach Plant.

In 2020, the total amount of metal relating to blister copper produced by Luanshya amounted to 13,612 tonnes, representing a year-on-year increase of 14.5%; the total amount of copper cathodes produced amounted to 43,000 tonnes, representing a year-on-year increase of 2.7%.

CCS

CCS mainly operates the Chambishi Smelting Plant.

In 2020, CCS produced 149,494 tonnes in total of blister copper and copper anodes, representing a year-on-year decrease of 30.3%. Such decrease was mainly due to some of the production capacity of CCS is used for processing copper anodes, for NFCA, and part of the production capacity is used to process blister copper etc. for Luanshya and SML and enterprises other than the Group. The processed copper products by CCS for enterprises under or other than the Group amounted to 71,495 tons in 2020, representing a year-on-year increase of 176.2%. CCS produced 643,252 tonnes of sulphuric acid in 2020, representing a year-on-year decrease of 8.1%.

SML

SML mainly operates Mwambashi Mine and the Chambishi Leach Plant.

The total copper products produced by SML in 2020 amounted to 12,345 tonnes, among which, copper cathodes amounted to 9,116 tonnes, blister copper amounted to 3,229 tonnes, representing a year-on year increase of 13.4%, mainly attributable to the year-on-year increase in copper from the purchased ore.

CNMC Huachin Mabende

CNMC Huachin Mabende produced 36,987 tonnes of copper cathodes, representing an increase of 14.1% as compared with the same period in the previous year, mainly attributable to a year-on-year increase in ore processing amount and ore grade.

Huachin Leach

Huachin Leach accumulatively produced 26,801 tonnes of copper cathodes, representing an increase by 15.8% as compared to the same period in the previous year, mainly attributable to the expanding scale of production, and a significant year-on-year increase in ore processing amount.

Lualaba Copper Smelter

Lualaba Copper Smelter mainly operates the Lualaba Smelting Plant.

Lualaba Copper Smelter was put into commercial production in the second quarter of 2020, and accumulatively produced 29,969 tonnes of blister copper, 149,969 tonnes of sulfuric acid, and 17,102 tonnes of liquid sulfur dioxide, and processed 38,083 tonnes of blister copper for internal and external enterprises of the Group.

The table below presents the production volume of the products of the Group and the year-on-year situation for the periods indicated.

	Production volume for 2020^{(1), (2), (3)} (Tonnes)	Production volume for 2019 ^{(1), (3)} (Tonnes)	Year-on- year growth/ (decrease) (%)
Copper concentrates	–	20,536	N/A
Blister copper & copper anodes	257,219	234,837	9.5%
Copper cathodes	115,904	104,404	11.0%
Cobalt contained in copper-cobalt alloy	–	21	N/A
Cobalt contained in cobalt hydroxide	191	105	81.9%
Sulphuric acid	793,221	700,303	13.3%
Liquid sulphur dioxide	17,102	–	N/A
Copper products processing services ⁽⁴⁾	27,389	–	N/A

Notes:

- (1) Copper concentrates, which used to be the final product of Luanshya, have been replaced with blister copper since May 2019. Copper concentrates, which used to be the final product of NFCA, have been replaced with copper anodes since July 2019. Copper concentrates, which used to be the final product of SML, had been replaced with blister copper since July 2019.
- (2) The production volumes of the above blister copper and copper anodes include 20,752 tonnes of blister copper that was processed by Lualaba Copper Smelter as entrusted by Kingsail Limited after Kingsail Limited had purchased copper concentrates.
- (3) The production volumes of all the products are on a contained-copper basis, except for sulphuric acid, liquid sulphur dioxide, copper-cobalt alloy and cobaltous hydroxide.
- (4) The copper products processing services refer to the processing and production of copper products by the Group's copper smelters as entrusted by the external enterprises and the Group receives processing fees from these enterprises.

EXPLORATION, DEVELOPMENT AND MINING COST OF THE GROUP

Expenses of exploration, development, and mining activities of the Group for the year ended 31 December 2020 are set out below:

Unit: Million US dollars	NFCA		Luanshya				SML		Huachin Leach		CNMHK		CNMC Mahende		Kambove Mining		Total
	Chambishi West Mine	Chambishi Southeast Mine	Baluba Center Sulphide Mine	Muliashi North Mine	Muliashi South Mine	Mashiba Mine	Baluba East Mine	Roan Basin	Mwambashi Mine	PE6307 Mine	PE12094 Mine	PE1060 Mine	Main mineral deposit	West mineral deposit			
Exploration activities																	
Drilling and analysis	1.37	1.88	0.61	0.14	-	0.55	0.07	-	-	0.02	0.23	0.65	0.23	0.67	6.42		
Others	-	-	-	-	-	0.01	-	-	-	-	-	-	-	-	0.01		
Sub-total	1.37	1.88	0.61	0.14	-	0.56	0.07	-	-	0.02	0.23	0.65	0.23	0.67	6.43		
Development activities (including mine construction)																	
Purchases of assets and equipment	-	4.64	-	0.84	-	-	-	-	-	-	-	-	65.37	-	70.85		
Civil work for construction of tunnels and roads	3.28	23.29	-	-	-	-	-	3.06	-	-	-	-	1.52	-	31.15		
Sub-total	3.28	27.93	-	0.84	-	-	-	3.06	-	-	-	-	66.89	-	102.00		
Mining activities (excluding ore processing)																	
Staff cost	2.59	3.00	1.85	0.17	-	-	-	-	0.26	-	-	0.46	-	-	8.33		
Materials and equipment	8.76	11.65	3.35	0.60	-	-	1.21	-	1.00	-	-	0.72	-	-	27.29		
Fuel, electricity, water and others services	9.69	3.80	7.04	26.09	-	-	-	-	0.17	-	-	-	-	-	46.79		
Non-income taxes, royalties and other government expenses	-	-	6.32	9.87	2.07	-	6.26	0.53	-	-	-	0.12	-	-	25.17		
Sub-contracting charges	44.57	21.31	17.64	21.07	-	-	21.69	1.03	6.66	-	-	-	-	-	133.97		
Depreciation	5.99	15.76	2.35	8.23	0.34	-	1.44	0.02	3.26	-	-	0.50	-	-	37.89		
Sub-total	71.60	55.52	38.55	66.03	2.41	-	30.60	1.58	11.35	-	-	1.80	-	-	279.44		

MINING EXPLORATION, MINING DEVELOPMENT AND ORE MINING ACTIVITIES

Mining Exploration

During the reporting period, NFCA, Luanshya, Huachin Mabende and Kambove Mining, each being subsidiaries of the Company, conducted mining exploration for production and exploration purposes, respectively. In particular:

At Chambishi Main Mine, Chambishi West Mine and Chambishi Southeast Mine of NFCA, 418 drilling holes were completed in the pit, with 34,198.07 m drilled, of which 82 underground drilling holes were completed at Chambishi Main Mine and Chambishi West Mine in aggregate, with 10,016.48 m drilled, and 336 drilling holes in the pit were completed at Chambishi Southeast Mine in aggregate, with 24,181.59 m drilled.

In 2020, Luanshya conducted exploration, drilling and platform trenches. In particular, in its three projects, i.e. the supplemental exploration at a near-surface oxide mine between SS19 line and SS35 line at the south wing of the copper mine in Roan Basin, the supplemental exploration at Mashiba Mine and the exploration at the deep north side of Muliashi, 56 surface drilling holes were completed, with a drilling footage of 7,702 m. At Muliashi North Strip Mine, Roan (East & West) Extension, Roan Basin and Baluba East Strip Mine, 58 platform trenches for production and exploration purposes were completed, with a total length of 3,380 m and a total capacity of 1,872 m³.

Huachin Mabende conducted exploration at the PE1060 tenement, during which 35 drilling holes were completed, with 4,530.6 m drilled; 1:10,000 soil geochemical survey was completed, with an area of 92.97 km²; and 20 shallow wells were constructed, with a total drilling footage of 447.90 m; and 24,322 samples were collected and analyzed.

Kambove Mining conducted exploration outside of its main mine, during which 8 drilling holes were completed, with 536.66 m drilled; and conducted supplemental exploration at its west mine, during which 5 drilling holes were completed, with 2,890m drilled.

Mining Development

For details of mining development, please refer to “Projects Under Progress” on pages 38 to 39.

Mining Activities

For details of mining activities, please refer to “Production Overview” on pages 32 to 34.

Infrastructure projects, subcontracting arrangements and procurement of equipment

The par value of new infrastructure project contracts entered into by the Group in 2020 amounted to approximately US\$218.91 million.

No subcontracting arrangements were entered into by the Group during 2020*.

During 2020, contracts which amounted to approximately US\$22.96 million were entered into by the Group for purchase of equipment related to mining exploration, mining development and mining activities, including equipment for mining, transportation, processing, drainage, soil discharge, electricity, and laboratory purposes etc.

* Subcontracting arrangement refers to an arrangement made between one party to a contract and a third party, pursuant to which the third party shall fulfill all or part of the obligation of that party under the said contract. For example, it refers to the circumstance where the Group is awarded a project as a contractor and then transfers the entire project or subcontracts in part the project to a third party.

PROJECTS UNDER PROGRESS

NFCA

The Integrated Exploration and Construction Project of the Chambishi Southeast Mine

This project is currently under development and is one of the key development mine projects of the Company with a designed ore-processing capacity of 3,300,000 tonnes per annum and a production capacity of copper contained in copper concentrates of approximately 58,900 tonnes per annum. Its aggregate planned investments amounted to US\$832 million. The construction of the project has been completed, and the commencement of production took place at the third quarter of 2020.

Luanshya

Strip Mine Project at the Extended Section of Roan

The Strip Mine Project at the Extended Section of Roan has a designated capacity of one million tonnes of quality oxide copper mine per annum and an output of 20,000 tonnes of copper cathodes. The developmental stripping for the project commenced at the end of May 2020, and was completed in 2020 with an expense of US\$3,059,600.

CNMC Huachin Mabende

Reconstruction and Expansion Project of CNMC Huachin Mabende

The project has a designated production output 45,000 tonnes of copper cathodes per annum and a designated total investment of US\$18.91 million. The construction of the project was completed and the project was put into production at the third quarter of 2020, and the accumulated investment completed was approximately US\$14.92 million.

Lualaba Copper Smelter

Blister Copper Smelting Project

A copper concentrate (dry) smelting project with an annual capacity of 400,000 tonnes would be constructed to produce approximately 118,000 tonnes of blister copper per annum. With an investment budget of US\$437.60 million, the construction of such project commenced on 28 March 2018 and was expected to continue for two years. The construction of the project has been completed, and the commencement of production took place at the second quarter of 2020.

Cobalt Recycling System Project

This project was a sub-system of the copper concentrate (dry) and blister copper smelting project with an annual capacity of 400,000 tonnes. The capacity of copper-cobalt amounts to 10,000 tonnes per annum and the investment budget is US\$33.10 million. The construction of the project was completed at the third quarter of 2020.

Kambove Mining

The Integrated Exploration and Construction Project of Kambove Main Mine

The project of Kambove Main Mine has a planned annual processing capacity of 990,000 tonnes of oxidized ore, 500,000 tonnes of tailings, and has a planned annual production capacity of 28,000 tonnes of copper cathode, 978 tonnes of blister cobaltous hydroxide with an estimated investment of US\$238 million in total and a tentative construction period of 21 months. The construction of the project commenced in January 2020, and as at the end of 2020, the accumulated investment completed was approximately US\$11,696,850.

FINANCIAL REVIEW

Results of Operations

The following table sets forth sales volume, average selling price, revenue and percentage contribution to total revenue of the products of the Group during the years indicated.

	For the year ended 31 December							
	2020		% of Total Revenue		2019		% of Total Revenue	
	Sales Volume ⁽¹⁾ (Tonnes)	Average Selling Price (US\$ per tonne)			Sales Volume ⁽¹⁾ (Tonnes)	Average Selling Price (US\$ per tonne)		
			Revenue (US\$'000)	(%)			Revenue (US\$'000)	(%)
Blister copper and copper anodes	288,492	6,176	1,781,780	68.6	235,119	5,719	1,344,641	67.0
Copper cathodes	117,457	5,644	662,897	25.5	104,324	5,307	553,672	27.6
Cobalt contained in cobalt hydroxide	143	21,035	3,008	0.1	–	–	–	–
Sulphuric acid	534,004	220	117,689	4.5	493,586	224	110,406	5.4
Liquid sulphur dioxide	17,038	917	15,629	0.6	–	–	–	–
Copper products processing services ⁽²⁾	27,389	592	16,210	0.7	–	–	–	–
Total			<u>2,597,213</u>	<u>100.0</u>			<u>2,008,719</u>	<u>100.0</u>

Notes: (1) The sales volumes of blister copper and copper anodes, copper cathodes are on a contained-copper basis.

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

Revenue

The revenue of the Group increased by 29.3% from US\$2,008.7 million in 2019 to US\$2,597.2 million in 2020. In 2020, the Group's revenue generated from blister copper and copper anodes, copper cathodes and sulphuric acid accounted for 68.6%, 25.5% and 4.5%, respectively, of the total revenue.

The revenue from blister copper and copper anodes increased by 32.5% from US\$1,344.6 million in 2019 to US\$1,781.8 million in 2020, mainly due to the increase in global copper prices and the increase in sales volume.

The revenue from copper cathodes increased by 19.7% from US\$553.7 million in 2019 to US\$662.9 million in 2020, mainly due to the increase in global copper price, and the increase in sales volume as compared with the same period last year.

The revenue from sulphuric acid increased by 6.6% from US\$110.4 million in 2019 to US\$117.7 million in 2020, mainly attributed to the significant increase in sales volume as compared with the same period last year.

Cost of Sales

The following table sets forth the costs of sales, unit costs of sales, gross profits and gross profit margins of the products of the Group during the periods indicated.

	For the year ended 31 December							
	2020				2019			
	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	1,532,466	5,312	249,314	14.0	1,211,160	5,151	133,481	9.9
Copper cathodes	389,676	3,318	273,221	41.2	314,744	3,011	238,928	43.1
Cobaltous hydroxide	2,558	17,888	450	15.0	–	–	–	–
Sulphuric acid	27,400	51	90,289	76.7	14,342	29	96,064	87.0
Liquid sulphur dioxide	1,734	102	13,895	88.9	–	–	–	–
Copper products processing services ^{Note}	13,937	509	2,273	14.0	–	–	–	–
Total	1,967,771		629,442	24.2	1,540,246		468,473	23.3

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

The cost of sales of the Group increased by 27.8% from US\$1,540.2 million in 2019 to US\$1,967.8 million in 2020, primarily due to the increase in sales volume of copper products.

The cost of sales in respect of blister copper and copper anodes increased by 26.5% from US\$1,211.2 million in 2019 to US\$1,532.5 million in 2020, primarily due to the increase in the volume of sales as compared with the same period last year.

The cost of sales in respect of copper cathodes increased by 23.8% from US\$314.7 million in 2019 to US\$389.7 million in 2020, primarily due to the increase in sales volume as compared with the same period last year.

The cost of sales in respect of sulphuric acid increased by 91.6% from US\$14.3 million in 2019 to US\$27.4 million in 2020, primarily due to the increase in sales volume and unit production costs as compared with the same period last year.

Gross profit and gross profit margin

The Group recorded a gross profit of US\$629.4 million in 2020, representing an increase of 34.3% from US\$468.5 million in 2019. The gross profit margin increased from 23.3% in 2019 to 24.2% in 2020. In particular:

The gross profit margin of blister copper and copper anodes increased from 9.9% in 2019 to 14.0% in 2020, primarily attributable to the increase in global copper price as compared with the same period last year.

The gross profit margin of copper cathodes decreased from 43.1% in 2019 to 41.2% in 2020, mainly due to the increase in the unit production cost of copper cathodes.

The gross profit margin of sulphuric acid decreased from 87.0% in 2019 to 76.7% in 2020, primarily due to the increase in unit production costs as compared with the same period last year.

Distribution and selling expenses

The distribution and selling expenses of the Group amounted to US\$67.9 million in 2020, representing an increase of 62.1% from US\$41.9 million in 2019, primarily due to the increase in sales volume of products and changes on the agreement related to the delivery expenses in certain sales contracts resulting in increase in delivery expenses and customs clearance costs as compared with the same period last year.

Administrative expenses

The administrative expenses of the Group increased by 42.1% from US\$64.4 million in 2019 to US\$91.5 million in 2020, primarily due to the expanding scale of production.

Finance costs

The finance costs of the Group increased by 121.6% from US\$16.7 million in 2019 to US\$37.0 million in 2020, primarily due to the decrease in capitalized interest and the increase in interest expenses with the project putting into production.

Other gains and losses

Other gains and losses of the Group increased by US\$89.9 million from a net loss of US\$33.0 million in 2019 to a net loss of US\$122.9 million in 2020, mainly due to the increase in exchange loss and loss on change in fair value of financial instruments as compared with the same period last year.

Income tax expense

The income tax expenses of the Group increased by US\$13.4 million from US\$99.5 million in 2019 to an expense of US\$112.9 million in 2020, mainly due to the increase in composite tax rate as compared with the same period last year.

Profit and net profit margin attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company decreased by 7.3% from US\$134.9 million in 2019 to a profit of US\$125.0 million in 2020. The profit margins attributable to owners of the Company (being the profit attributable to the owners of the Company as a percentage of revenue) were 6.7% in 2019 and 4.8% in 2020, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Net cash flows generated from operating activities

Cash inflows generated from operating activities are primarily attributable to the sales revenue of copper and sulphuric acid products and cash outflows are primarily attributable to various operating expenses. Net cash flows generated from the operating activities of the Group increased by 30.9% from an inflow of US\$368.7 million in 2019 to an inflow of US\$482.5 million in 2020, primarily attributable to the year-on-year increase in the sales volume and sales price of products during the reporting period.

Net cash flows used in investing activities

Cash outflows used in investing activities are mainly for the purchase and construction of properties, plants and equipment for copper production. The net cash flows used in investing activities of the Group decreased by 49.9% from an outflow of US\$420.1 million in 2019 to an outflow of US\$210.3 million in 2020, primarily attributable to the decrease in investment in fixed assets.

Net cash flows (used in) generated from financing activities

The cash inflows generated from financing activities primarily consist of new bank borrowings and other borrowings. The cash outflows from financing activities primarily consist of repayments for bank borrowings, payments of dividends and interest payments. The net cash flows generated from financing activities of the Group increased by US\$278.6 million from an inflow of US\$28.7 million in 2019 to an outflow of US\$249.9 million in 2020, primarily due to the year-on-year decrease in new bank borrowings.

Bank balances and cash

The Group's bank balances and cash (including cash, time deposits and demand deposits) increased by US\$16.6 million from US\$481.2 million as at 31 December 2019 to US\$497.8 million as at 31 December 2020.

Trade receivables at amortised cost/Trade receivables at FVTPL

As at 31 December 2020, the Group recorded trade receivables at amortised cost of US\$20.7 million and trade receivables at FVTPL of US\$227.7 million. The trade receivables at FVTPL were the trade receivables arising from the sales of copper products under provisional pricing arrangements. The aggregate trade receivables amounted to US\$248.40 million, which increased by US\$74.7 million from US\$173.7 million as at 31 December 2019, primarily attributable to the increase in trade receivables resulting from the fact that the copper products was not settled at the end of the reporting period and the increase in sales volume of copper products as compared with the same period last year.

Inventories

The inventories held by the Group increased by US\$141.3 million from US\$530.1 million as at 31 December 2019 to US\$671.4 million as at 31 December 2020, which was mainly due to the increase in stock of raw and auxiliary materials as a result of the expansion of production scale.

Trade payables/Trade payables designated at FVTPL

As at 31 December 2020, the Group recorded trade payables of US\$219.7 million and trade payables designated at FVTPL of US\$205.2 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\$424.9 million, which increased by US\$152.4 million from US\$272.5 million as at 31 December 2019, primarily due to the increase in balance of the settlement payable of raw materials.

Capital expenditure

	For the year ended	
	31 December	
	2020	2019
	(US\$'000)	(US\$'000)
Mining and ore processing facilities at Chambishi Southeast		
Mine of NFCA	22,780	155,346
Other mining and ore processing facilities of NFCA	19,007	14,149
Mining and ore processing facilities at Luanshya		
(Baluba Center Mine)	4,049	19,730
Mining and leaching facilities at Luanshya		
(Muliashi Project)	19,550	9,826
Mining facilities at Luanshya (Roan Mine)	3,588	–
Smelting facilities at CCS	7,752	13,334
Leaching facilities at SML	1,060	3,947
Leaching facilities at Huachin Leach	10,440	16,742
Mining rights and leaching facilities at CNMC		
Huachin Mabende	6,889	22,527
Smelting facilities at Lualaba Copper Smelter	31,515	219,135
Mining and the processing facilities at Kambove Mining	98,818	10,333
Other facilities	28	–
	<hr/>	<hr/>
Total	<u>225,476</u>	<u>485,069</u>

The total capital expenditure of the Group decreased by US\$259.6 million from US\$485.1 million in 2019 to US\$225.5 million in 2020, mainly due to that the NFCA Chambishi Southeast Mine project and the Lualaba Copper Smelter projects were completed and put into operation in 2020.

Principal risks and uncertainties

Although the Company has established a risk management system to identify, analyse, evaluate and respond to risks, our business activities are still subject to the following risks, which could have material impacts on our strategy, operations, compliance and financial condition. We urge you to carefully consider the risks described below.

Commodity price risk

The Group's commodity price risk mainly derives from the exposure to fluctuations in the market price of copper, since copper is the major commodities purchased, produced and sold by the Group. The sharp fluctuations of copper price mainly reflect the changes in supply and demand of copper products, the market uncertainties and other factors which are out of the control of the Group, including but not limited to the overall economic situation, political unrest, armed conflicts, terrorist acts, economic condition in major copper producing countries, accessibility of other metals, domestic and overseas regulations of governments, natural disasters and weather conditions. Price fluctuations will have a material impact on the business, cash flow and revenue of the Group. To mitigate this risk, the Group has adopted the sales strategy with combination of long-term and short-term orders and combined with hedging to enhance the turnover of spot inventory, so as to strive to reduce the commodity price risks.

Foreign currency exchange risk

The Group operates business in Zambia and the DRC and most of its sales and purchases in the past were denominated in US dollar, its functional currency, while certain sales and purchases were settled in currencies other than its functional currency (mainly ZMK, Congolese Franc and 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 expediting 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 balances and 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.

Human resources

As of 31 December 2020, the Group employed a total of 8,352 employees (as of 31 December 2019: 8,188 employees), which comprised 877 Chinese and 7,475 local employees in Zambia and the DRC. Employees' remuneration was determined by the Group based on their performance, experience and the prevailing market practice. For the year ended 31 December 2020, the total cost of employees reflected in the consolidated statement of profit or loss and other comprehensive income amounted to approximately US\$113.7 million (2019: US\$103.9 million).

Significant investments held, material acquisitions and disposals of subsidiaries and future plans for material investments or acquisition of capital asset

Saved as disclosed in this annual results announcement, there were no other significant investments held, material acquisitions or disposals of subsidiaries during the year ended 31 December 2020, and there was no plan approved by the Board for other material investments or acquisition of capital assets as at the date of this annual results announcement.

Charge on assets

As at 31 December 2020 and 2019, no assets of the Group were pledged.

Gearing ratio

As at 31 December 2020, the gearing ratio was 50.4% (as at 31 December 2019: 69.7%) which is calculated by the net debts (being bank and other borrowings minus bank balances and cash, and restricted bank balances) divided by the total equity attributable to owners of the Company.

Contingent liabilities

Other than disclosed in this annual results announcement, there were no other material contingent liabilities.

2021 OUTLOOK

2020 was an extremely difficult and extraordinary year. In 2020, the Group made scientific decisions and proactive plans, focusing on both pandemic prevention and control and production and operation. The main businesses in Zambia and the DRC in Central and Southern Africa overcame various difficulties such as the impact of the pandemic, and achieved good results. As of 31 December 2020, the Group's various production and operation and construction continued to progress in a steady and orderly manner.

Looking forward to 2021, despite of the lingering complex and severe situation and the challenges entangled with opportunities, the Group expects many more opportunities than challenges, and considers it an exciting and promising year. From a global perspective, with the large-scale use of the COVID-19 vaccine, the world will gradually get rid of the haze of the pandemic and the economy will recover quickly in 2021. Insufficiency in global copper production and supply remains a prominent problem, providing a strong support for copper prices.

The Group will continue to align with its own development strategy, enhance its investments in geological exploration and development, and identify suitable acquisition targets in regions with rich copper and cobalt resources such as Zambia and the DRC, with an aim to strengthen the Group's resources. Meanwhile, based on the premise that effective efforts are made to implement regular pandemic prevention and control measures, the Group will stand committed to enhancing productivity by expanding capacity, reducing cost, improving quality and driving innovation, and strive for economic growth marked by quality and efficiency.

OTHER INFORMATION

PROPOSED REORGANISATION AND TERMINATION AT CONTROLLING SHAREHOLDER LEVEL

As part of an intra-group restructuring, China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC"), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000758.SZ) and also a subsidiary of CNMC, proposed to acquire a controlling interest of approximately 74.52% of the total issued share capital of the Company from CNMD, a controlling shareholder of the Company (the "**Reorganisation**").

The implementation of the Reorganisation was subject to various conditions, including but not limited to the approvals by shareholders of NFC and consideration and approvals by the China Securities Regulatory Commission. As at 24 May 2020, after due and careful consideration by NFC, NFC and CNMD have agreed to terminate the Reorganisation. Further details regarding the Reorganisation are set out in the announcements made by the Company on 27 September 2019, 18 October 2019, 9 March 2020, 23 March 2020, 29 April 2020 and 24 May 2020.

Change in Use of Proceeds from Global Offering

As of 31 December 2020, the Company has used net proceeds of US\$242.77 million from the Global Offering, and the net proceeds of US\$37 million from the Global Offering proposed to be used in acquisitions of companies with existing exploration rights and additional mining assets were reallocated to the use of “Kambove integrated exploration and construction project”, among which, US\$32 million had been utilised and US\$5 million remained unutilised. Details of the use of proceeds from the Global Offering are as follows:

	Intended use of net proceeds <i>US\$'000</i>	Utilised amount as at 31 December 2020 <i>US\$'000</i>	Unutilised amount as at 31 December 2020 <i>US\$'000</i>	Expected timetable for use of unutilised amount
Exploration and development of the Chambishi Southeast Mine	72,000	72,000	–	N/A
Expansion of the Chambishi Copper Smelter	48,000	48,000	–	N/A
The Muliashi Project	12,000	12,000	–	N/A
Development of the Mwambashi Project	12,000	12,000	–	N/A
Kambove integrated exploration and construction project	37,000	32,000	5,000	Expected to be utilised by December 2021
Repayment of certain existing loans	36,000	36,000	–	N/A
Working capital and other general corporate purposes	30,770	30,770	–	N/A
Total	<u>247,770</u>	<u>242,770</u>	<u>5,000</u>	

DIVIDEND

During the year ended 31 December 2020, the 2019 final dividend of US¢0.7740 per share had been paid. During the year ended 31 December 2019, the 2018 final dividend of US¢0.8384 per share had been paid.

Subsequent to the reporting period, the Board proposed the payment of US¢1.4327 per share as 2020 final dividend (“**Final Dividend**”). The proposed Final Dividend is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting of the Company (the “**AGM**”) and payable in Hong Kong dollars, which will be calculated at the market exchange rate on 30 June 2021 to shareholders whose names appear on the register of members of the Company on Wednesday, 7 July 2021. The proposed Final Dividend will be paid on Friday, 16 July 2021 after approval at the AGM.

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on Wednesday, 30 June 2021. Notice of the AGM will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the AGM

The share register of the Company will be closed from Friday, 25 June 2021 to Wednesday, 30 June 2021 (both days inclusive), during which no transfer of shares will be effected. Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 24 June 2021 will be entitled to attend and vote at the AGM. In order to be entitled to attend the AGM, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 24 June 2021.

For Final Dividend

The distribution of the Final Dividend recommended by the Board is subject to approval by the Company’s shareholders at the forthcoming AGM. The Register of Members of the Company will be closed on Wednesday, 7 July 2021. To be qualified to receive the Final Dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 6 July 2021.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as contained in Appendix 10 of the Listing Rules.

The Company had made specific enquiry to all the Directors and confirmed that all of them complied with the Model Code for the year ended 31 December 2020.

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

As at 31 December 2020, none of the Directors or chief executive had any interests or 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 of Hong Kong (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”)) which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Division 7 and 8 at the Part XV of the SFO; or interests or short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests or short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

The Company or any of its subsidiaries did not have any arrangement in place at any time during the reporting period whereby the Directors or their respective spouse or minor children can obtain benefit by acquiring shares of the Company or other body corporate.

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

As at 31 December 2020, so far as it is known to the Director and chief executive of the Company, interests or short positions which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 at the Part XV of the SFO is as follows:

Substantial Shareholder	Capacity/Nature of interest	Long/short position	Number of shares	Approximate percentage of shareholdings
China Nonferrous Mining Development Limited ^(Note)	Registered owner	Long position	2,600,000,000	74.52%
CNMC	Interest in a controlled corporation	Long position	2,600,000,000	74.52%

Note: China Nonferrous Mining Development Limited is a wholly-owned subsidiary of CNMC and therefore, by virtue of the SFO, CNMC is deemed or taken to be interested in all the shares which are owned by China Nonferrous Mining Development Limited.

Save as disclosed above, as at 31 December 2020, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

As at 31 December 2020, each of the following entities were 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 the general meeting of any other members of the Group:

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

* Translation of English terms for reference purposes only

CORPORATE GOVERNANCE

For the year ended 31 December 2020, the Company had always complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) contained in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Company has an audit committee (“**Audit Committee**”) which was established with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph C3 of the CG Code of the Listing Rules. The primary duties of the Audit Committee are to supervise the financial reporting process and internal control and risk management systems of the Group. As at the date of this announcement, the Audit Committee consisted of three members, being Mr. Jingwei LIU (independent non-executive Director), Mr. Chuanyao SUN (independent non-executive Director) and Mr. Huanfei GUAN (independent non-executive Director). The Group’s financial statements for the year ended 31 December 2020 have been reviewed by the Audit Committee, who was of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2020.

SUBSEQUENT EVENT AFTER THE END OF FINANCIAL YEAR

After the reporting period, on 8 January 2021, Mr. Jinjun ZHANG, an executive Director of the Company, was appointed as the chairman of the Board, and will remain as the president.

Save as disclosed in this annual results announcement, there were no other significant events in relation the Group after the reporting period.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cnmccl.net>). The annual report will be despatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

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

Beijing, 30 March 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Jinjun ZHANG, Mr. Xiaowei WANG and Mr. Chunlai WANG, as executive Directors; and Mr. Chuanyao SUN, Mr. Jingwei LIU and Mr. Huanfei GUAN as independent non-executive Directors.