



中國有色礦業有限公司

China Nonferrous Mining Corporation Limited

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

Stock Code: 01258



2020

INTERIM REPORT

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CORPORATE INFORMATION

REGISTERED OFFICE

Unit 1303, 13/F., Austin Tower
22–26 Austin Avenue
Tsimshatsui, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN ZAMBIA

32 Enos Chomba Road
Kitwe, Zambia

PRINCIPAL PLACE OF BUSINESS IN DRC

Lubumbashi
Katanga Province
Congo (DRC)

COMPANY'S WEBSITE

www.cnmccl.net

STOCK CODE

01258

DIRECTORS

Executive Directors

Mr. Tongzhou Wang (*Chairman*) (resigned on 4 September 2020)
Mr. Xiaowei Wang
Mr. Wei Fan (*Vice President*) (appointed on 24 March 2020)
Mr. Lin Zhang (*President*)
Mr. Chunlai Wang (*Vice President*)
Mr. Kaishou Xie (*Vice President*) (resigned on 24 March 2020)

Non-Executive Director

Mr. Jinjun Zhang (*Vice Chairman*)

Independent Non-Executive Directors

Mr. Chuanyao Sun
Mr. Jingwei Liu
Mr. Huanfei Guan

CORPORATE INFORMATION (CONTINUED)

THE COMMITTEES OF THE BOARD

Audit Committee

Mr. Jingwei Liu (*Chairman*)

Mr. Jinjun Zhang

Mr. Huanfei Guan

Nomination Committee

Mr. Chuanyao Sun (*Chairman*)

Mr. Jinjun Zhang

Mr. Jingwei Liu

Remuneration Committee

Mr. Huanfei Guan (*Chairman*)

Mr. Jinjun Zhang

Mr. Chuanyao Sun

Compliance Committee

Mr. Tongzhou Wang (*Chairman*)

(resigned on 4 September 2020)

Mr. Chuanyao Sun

Mr. Huanfei Guan

JOINT COMPANY SECRETARIES

Mr. Dayong Yang (appointed on 27 April 2020)

Ms. Man Yi Wong

Mr. Aibin Hu (resigned on 1 April 2020)

LEGAL ADVISER

Baker & McKenzie

14/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong



ISA furnace of copper smelting company

CORPORATE INFORMATION (CONTINUED)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants and Registered Public Interest Entity Auditor
35th Floor, One Pacific Place
88 Queensway
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong



Central auxiliary shaft of Chambishi West Mine

STATEMENT

Dear Shareholders,

I would like to take this opportunity to extend my heartfelt gratitude to the Shareholders and all sectors of the society for their care, support and assistance to China Nonferrous Mining Corporation Limited (hereinafter referred to as the “Group” or the “Company”) and thank the management and staff for their contributions to the operation, management, reform and development of the Group.

The Group is an integral part of the core assets and a key business arm of China Nonferrous Metal Mining (Group) Co., Ltd. to implement the “Prioritising International Business Strategy”. In the first half of 2020, the holding group has further implemented the new development strategy of “coordinated development of three key businesses, two wheels-driven growth and all-round reform” that seeks to “focus on industrial business, principal operations and specialised operations”, and gave priority to international business, copper business and the “Belt and Road” businesses, striving to create a world-class mining group with the international competitiveness of science and technology, management and quality. The holding group, with its strong credit, operation and industrial coordination capabilities, has been a strong force for the development of the Group.

In the first half of 2020, in response to the adverse impact of the COVID-19 and the significant year-on-year decline in the international copper and cobalt prices, the board, management and staff of the Group have been proactive in forging ahead to promote the pandemic prevention and control as well as the production and operation, and have integrated the pandemic prevention thinking into all aspects to ensure the production and operations and the smooth progress of project construction, continuing to write a new chapter in the development of the Company. In the first half of 2020, by strengthening management, improving quality and efficiency, and innovating in science and technology, the Group accumulatively produced 111,833 tonnes of blister copper and copper anodes, 54,381 tonnes of copper cathodes and 330,407 tonnes of sulfuric acid. In the first half of the year, the Group recorded revenue of US\$942.8 million, representing a decrease of 9.9% year on year; profit attributable to the owners of the Company of US\$23.5 million; and consolidated basic earnings per share of US ¢ 0.67, representing a decrease of US ¢ 1.52 year on year. The decline in results of the Company was primarily due to a decrease in international copper price and the significant fluctuations in the exchange rates in Zambia and the DRC.

Looking ahead, despite the global spread of the COVID-19 pandemic, increasing downward pressure on the global economy, piling up of uncertainties and instabilities and challenges facing the growth of global economy, the long-term outlook for copper and cobalt prices remains strong due to the increasing difficulties of copper and cobalt mining operations in the long run, the current tight balance between product supply and demand, as well as the future increase in global demand for copper and cobalt driven by the expansion of new energy-related industries. In 2020, the Group will continue to implement the concept of “peak shifting development”. Based on the premise that effective efforts are made to implement regular pandemic prevention and control measures, we 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. The Integrated Exploration and Construction Project of the Chambishi Southeast Mine of NFCA and the Copper Concentrates Smelting Project of Lualaba Copper Smelter have been officially put into operation, the yield of the Copper-Cobalt Reconstruction and Expansion Project of Huachin Leach has reached its designed capacity, the Copper Cathodes Reconstruction and Expansion Project of CNMC Huachin Mabende has commenced its trial operation, and the Integrated Exploration and Construction Project of Kambove Mining has been in construction stage, all of which will provide new growth points for the development of the Group.

STATEMENT (CONTINUED)

The Group will improve the standard of corporate governance and intensive management by further strengthening the integrated management of resources exploitation and international operations, streamlining management structure, and enhancing the development of risk and internal control management systems; and will continue to further increase its investment in geological exploration and development, and step up its exploration efforts in the surrounding and deep areas of existing operating mines. Meanwhile, the Group will continue to seek suitable acquisition targets in the regions rich in copper and cobalt resources such as Zambia and the DRC to expand its resources. The Group will further strengthen capital operation, with an aim of achieving a continuous, sound and rapid development of the Company.

The Group will commit itself to becoming a responsible corporate citizen. In this regard, the Group will continue to implement the development vision of “innovation, coordination, eco-friendliness, openness and sharing”. While exploiting resources, the Group will also pay high attention to environmental protection and the sustainable use of resources. Further, it will seek to ensure the safety and efficiency of production, strictly abide by employment regulations and governance practices, improve workplace conditions, and properly handle concerns of stakeholders such as suppliers and communities, so as to pursue win-win cooperation and harmonious development.

Jinjun Zhang

Vice Chairman of the Board

China Nonferrous Mining Corporation Limited

28 August 2020

RESULTS HIGHLIGHTS

OPERATING RESULTS

- In the first half of 2020, China Nonferrous Mining Corporation Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded revenue of US\$942.8 million, representing a year-on-year decrease of 9.9%.
- In the first half of 2020, the Group recorded profit attributable to owners of the Company of US\$23.5 million, representing a year-on-year decrease of 69.2%.

CHANGES IN PRODUCT OUTPUT

- In the first half of 2020, the Group accumulatively produced 111,833 tonnes of blister copper and copper anodes, representing a decrease of 10.3% year-on-year.
- In the first half of 2020, the copper concentrates was ceased to be the final product of its subsidiaries, and was produced to copper anodes and blister copper through consigned processing, and an aggregate of 21,569 tonnes of copper contained in copper concentrates were produced during the same period last year.
- In the first half of 2020, the Group accumulatively produced 54,381 tonnes of copper cathodes, representing an increase of 10.4% year-on-year.
- In the first half of 2020, the Group produced 96 tonnes of the new product, cobalt hydroxide.
- In the first half of 2020, the Group accumulatively produced 330,407 tonnes of sulfuric acid, representing a decrease of 6.9% year-on-year.
- In the first half of 2020, the Group produced 4,753 tonnes of the new product, liquid sulfur dioxide.



The main shaft and auxiliary shaft of Chambishi Southeast Mine

RESULTS HIGHLIGHTS (CONTINUED)

STEADY PROGRESS IN PROJECT DEVELOPMENT

The Integrated Exploration and Construction Project of the Chambishi Southeast Mine of NFC Africa Mining PLC (“NFC”) is one of the key development mine projects of the Company. It was officially put into production on 1 July 2020. Currently, the total construction expenses for the project are being finalised.

Huachin Leach copper-cobalt reconstruction and expansion project of Huachin Metal Leach SA (“Huachin Leach”) had a total planned investment of US\$52.4 million. As at 30 June 2020, the project had been put into operation and an accumulative investment of US\$50.46 million had been made.

CNMC Huachin Mabende copper cathode reconstruction and expansion project of CNMC Huachin Mabende Mining SA (“CNMC Huachin Mabende”) had a total planned investment of US\$18.91 million. As at 30 June 2020, the project was under the stage of comprehensive test run.

Copper concentrates smelting project of Lualaba Copper Smelter SAS (“Lualaba Copper Smelter”) is designed with an annual capacity of 400,000 tonnes of copper concentrates (dry). On 1 May 2020, the project was officially put into production. Currently, the total construction expenses for the project are being finalised.

The integrated exploration and construction project of Kambove Mining SAS (“Kambove Mining”) had a planned total investment of US\$238 million. As at 30 June 2020, the stripping volume of the infrastructure of completed strip mine amounted to 1,700,000 m³, representing 20% of the total project area; the workshops (such as the electrowinning workshop and the extraction workshop) of the leach plant are carrying out civil engineering construction works, representing 30% of the total project area.



Electrode workshop of Muliashi Project

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2020, the operating results of the Group declined as compared with the same period last year under the adverse impact of the decreases in international copper price and market fluctuations.

During the reporting period, the revenue of the Group amounted to US\$942.8 million, representing a decrease of 9.9% as compared with the same period last year. Profit attributable to owners of the Company amounted to US\$23.5 million, representing a decrease of 69.2% over the same period last year, which was mainly attributable to the decreases in global copper price and the significant increase in exchange losses as compared with the same period last year.

With the Integrated Exploration and Construction Project of the Chambishi Southeast Mine, Lualaba copper smelting project and Huachin Leach copper-cobalt reconstruction and expansion project put into production, and the remarkable progress made in the reconstruction and expansion project of CNMC Huachin Mabende and Kambove main mine 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.

Since 2018, the Group has amped up its efforts in the development of the cobalt business. Apart from Chambishi Copper Smelter Limited ("CCS"), which engages in the production of copper-cobalt alloy, and Huachin Leach copper-cobalt reconstruction and expansion project, which engages in the production of cobaltous hydroxide, the Lualaba copper smelting project, Chambishi Southeast Mine project and Kambove main mine project are also designed to produce cobalt products.

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

From January to June 2020, the Group accumulatively produced 111,833 tonnes of blister copper and copper anodes, including the processed blister copper of 15,810 tonnes by Lualaba Copper Smelter during the production period from May to June 2020, representing a decrease of 10.3% from the same period last year; copper cathodes of 54,381 tonnes, representing an increase of 10.4% over the same period last year; and sulfuric acid of 330,407 tonnes, representing a decrease of 6.9% from the same period last year. Revenue of the Group decreased by 9.9% from US\$1,046.3 million for the first half of 2019 to US\$942.8 million for the first half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

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 2020, Chambishi Main Mine and Chambishi West Mine copper produced, through consigned processing, 11,764 tonnes of copper anodes (the final product in the same period last year was copper contained in copper concentrates), with a decrease in copper content of 16.0% from the same period last year, which was primarily due to the decline in the production volume of copper contained in copper concentrates as a result of the decrease in the preparation volume of raw ore. The Integrated Exploration and Construction Project of Chambishi Southeast Mine was put into operation officially on 1 July 2020.

In addition, in the first half of 2020, Chambishi Southeast Mine Project produced 3,994 tonnes of by-product copper during the infrastructure trial production through consigning CCS for processing of copper anodes.

Luanshya

Luanshya operates four copper mines, namely Baluba Center Mine, Baluba East Mine, Muliashi North Mine and Muliashi South Mine, respectively, as well as the Muliashi Leach Plant.

The Luanshya produced 20,691 tonnes of copper cathodes in the first half of 2020, representing a decrease of 4.2% over the same period last year, which was mainly attributable to the decrease in processing volume of raw core in the agitation leaching system and the heap leaching system. In the first half of 2020, the slag copper recovery project and the Baluba underground mine cumulatively produced, through consigned processing of 5,172 tonnes of blister copper (the final products in the same period last year were copper concentrates and blister copper), with a decrease in copper content of 24.3% from the same period last year, which was mainly due to the decrease in the production volume of copper contained in copper concentrates as a result of the decline in the grades of raw ore and slag.

CCS

CCS mainly operates the Chambishi Smelting Plant.

In the first half of 2020, CCS accumulatively produced 96,846 tonnes of blister copper and copper anodes, representing a decrease of 21.6% from the same period last year, which included copper products of 22,293 tonnes manufactured through outsourced processing; and 290,562 tonnes of sulphuric acid, representing a decrease of 18.1% from the same period last year. The reduction in production load was mainly due to the shutdown and overhaul of Isa furnace in June 2020, during which no product was produced; the replacement of the internal and external water jackets of the sedimentation furnace conducted in the beginning of the year; the repairing and welding of the leaking pipes of the boiler, etc.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Production Overview (Continued)

SML

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

Copper cathodes accumulatively produced by SML in the first half of 2020 has increased by 48.8% to 4,224 tonnes as compared with the same period last year. Processing plants of SML, through consigned processing, produced 1,363 tonnes of blister copper (the final product in the same period last year was copper contained in copper concentrates) in the first half of 2020, with a decrease in copper content of 30.6% over the same period last year, mainly attributable to the outsourced oxide ore with high grade which facilitated the increase in the production volume of copper cathodes.

CNMC Huachin Mabende and Huachin Leach

Copper cathodes produced by CNMC Huachin Mabende in the first half of 2020 increased by 6.4% to 16,515 tonnes as compared with the same period last year. Copper cathodes produced by Huachin Leach increased by 39.6% to 12,951 tonnes as compared with the same period last year. In particular, the increase in production of CNMC Huachin Mabende was due to the successful completion of the reconstruction and expansion project and the full conjunction of the new and old systems put into production; the increase in production of Huachin Leach was mainly due to the commencement of production of the reconstruction and expansion project, the better grade of outsourced ore and the increase in the volume of ores processed, and the comprehensive utilisation level of low-grade ore having been improved.

Lualaba Copper Smelter

During the production period from May to June 2020, Lualaba Copper Smelter produced 18,981 tonnes of blister copper, including the processed blister copper of 15,810 tonnes during the production period from May to June 2020, 39,845 tonnes of sulfuric acid, and 4,753 tonnes of liquid sulphur dioxide.



Smelting



Leaching

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Production Overview (Continued)

Lualaba Copper Smelter (Continued)

In addition, Lualaba Copper Smelter produced 23,260 tonnes of blister copper during the infrastructure trial production period from January to April 2020, including the processed blister copper of 6,698 tonnes during the infrastructure trial production period from January to April 2020, 64,500 tonnes of sulfuric acid, and 2,042 tonnes of liquid sulphur dioxide.

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 2020^(note) (Tonnes) | Production volume for the six months ended 30 June 2019 ^(note) (Tonnes) | Period-to-period increase/(decrease) (%) |
|----------------------------------|--|--|--|
| Blister copper and copper anodes | 111,833 | 124,680 | (10.3) |
| Copper concentrates | – | 21,569 | (100.0) |
| Copper cathodes | 54,381 | 49,253 | 10.4 |
| Cobaltous hydroxide | 96 | – | – |
| Sulfuric acid | 330,407 | 354,873 | (6.9) |
| Liquid sulphur dioxide | 4,753 | – | – |

- Note:
- ① The production volumes of all the products are on a contained-copper basis, except for cobaltous hydroxide, sulfuric acid and liquid sulphur dioxide.
 - ② The above production volume of 111,833 tonnes of blister copper and copper anodes comprises the processed blister copper of 15,810 tonnes by Lualaba Copper Smelter during the production period from May to June 2020.
 - ③ The above production volume of 111,833 tonnes of blister copper and copper anodes does not comprise the blister copper of 23,260 tonnes by Lualaba Copper Smelter during the infrastructure trial production period from January to April 2020 and copper anodes of 3,994 tonnes by NFCA through consigning CCS for processing during the infrastructure trial production period in the first half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

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 2020 are set out below:

| | NFCA | | Luanshya | | | | SML | CNMC | | Kambove Mining | Total |
|---|------------------------|------------------------|-------------------|------------------|--------------|---------------|--------------|---------------------|-----------------|-------------------|---------------|
| | | | Baluba | | Muliashi | | | Huachin | Main Orebody | | |
| | | | Chambishi | Center | | | | Mabende | | | |
| | Chambishi Main Mine | Chambishi West Mine | Southeast Mine | Sulphide Mine | North Mine | South Mine | | Baluba East Mine | | | |
| <i>Unit: Million US dollar</i> | | | | | | | | | | | |
| Exploration activities | | | | | | | | | | | |
| <i>Including:</i> | | | | | | | | | | | |
| - Drilling | 0 | 0.70 | 1.03 | 0.10 | 0 | 0 | 0 | 0 | 0.36 | 0.39 | 2.58 |
| - Analysis | 0 | 0.09 | 0.11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.20 |
| - Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sub-total | 0 | 0.79 | 1.14 | 0.10 | 0 | 0 | 0 | 0 | 0.36 | 0.39 | 2.78 |
| Development activities (including mine construction) | | | | | | | | | | | |
| <i>Including:</i> | | | | | | | | | | | |
| - Purchases of assets and equipment | 0 | 0 | 4.53 | 0 | 0.35 | 0 | 0 | 0 | 0 | 2.58 | 7.46 |
| - Civil work for construction of tunnels and roads | 0 | 0.98 | 6.32 | 0 | 0 | 0 | 0 | 0 | 0 | 10.28 | 17.58 |
| - Staff cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.11 | 1.11 |
| - Others | 0 | 0 | 22.51 | 0 | 1.62 | 0 | 0 | 0 | 0 | 5.50 | 29.63 |
| Sub-total | 0 | 0.98 | 33.36 | 0 | 1.97 | 0 | 0 | 0 | 0 | 19.47 | 55.78 |
| Mining activities (excluding ore processing) | | | | | | | | | | | |
| <i>Including:</i> | | | | | | | | | | | |
| - Staff cost | 0.09 | 1.55 | 0 | 1.00 | 0.08 | 0 | 0 | 0 | 0.20 | 0 | 2.92 |
| - Consumables | 0 | 0 | 0 | 1.35 | 0.14 | 0 | 0.58 | 0 | 0.09 | 0 | 2.16 |
| - Fuel, electricity, water and other services | 0.28 | 4.72 | 0 | 3.32 | 13.65 | 0 | 0 | 0 | 0.48 | 0 | 22.45 |
| - On-site and remote system management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Non-income taxes, royalties and other expenses | 0 | 0 | 0 | 1.91 | 2.12 | 0.68 | 5.68 | 0 | 0 | 0 | 10.39 |
| - Depreciation | 0.27 | 4.59 | 0 | 1.18 | 1.79 | 0.14 | 2.06 | 0 | 0.19 | 0 | 10.22 |
| - Sub-contracting charges | 0.94 | 15.60 | 0 | 8.41 | 5.84 | 0.98 | 21.73 | 2.38 | 0 | 0 | 55.88 |
| - Transportation charges | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Others | 0.50 | 8.36 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8.86 |
| Sub-total | 2.08 | 34.82 | 0 | 17.17 | 23.62 | 1.80 | 30.05 | 2.38 | 0.96 | 0 | 112.88 |

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Mining Exploration, Mining Development and Ore Mining Activities

Mining Exploration

During the reporting period, NFCA and CNMC Huachin Mabende, subsidiaries of the Company, conducted mining exploration for production and exploration purposes, respectively. In particular:

In the Chambishi West Mine of NFCA, 27 exploratory drilling holes (with a 75mm-diameter end-hole) for production purposes were completed with 3,542 m drilled. In the Chambishi Southeast Mine, 74 exploratory drilling holes (with a 75mm-diameter end-hole) for production purposes were completed with 6,246.06 m drilled, and 22 drilling holes (with a 47mm-diameter end-hole) for production and exploration purposes with 938.9 m drilled.

CNMC Huachin Mabende carried out resource exploration at PE1060 tenement and a total of approximately 4,700 meters have been drilled.

Mining Development

For details of mining development, please refer to “Projects In Progress” in pages 16 to 17.

Ore Mining

For details of ore mining activities, please refer to “Production overview” on pages 10 to 12.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Mining Exploration, Mining Development and Ore Mining Activities (Continued)

Infrastructure projects, subcontracting arrangements and procurement of equipment

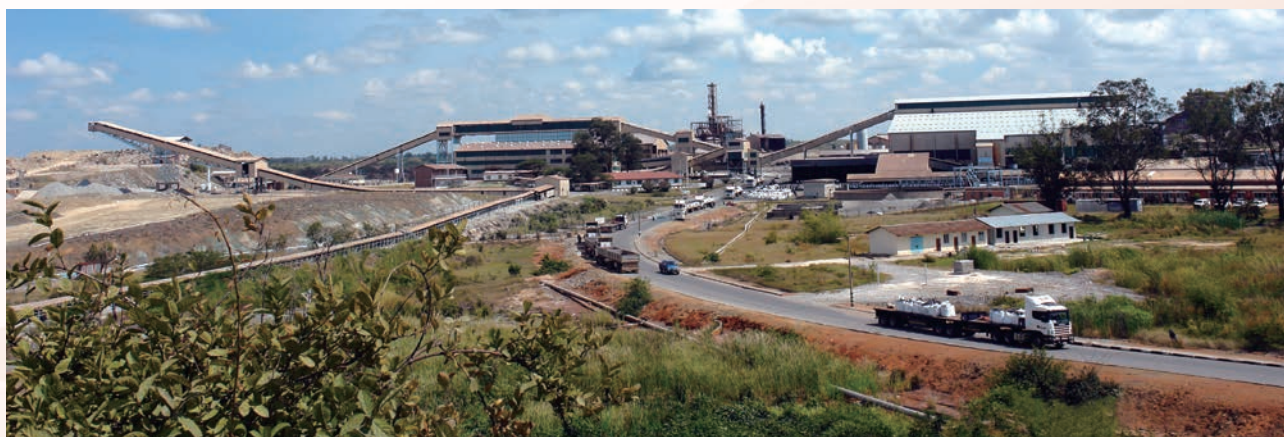
The major contracts entered into during the reporting period are as follows:

1. Contract on EPC Construction Project for Main Mine Leach Copper Smelter of Kambove Mining SAS (《剛波夫礦業股份有限公司主礦體濕法煉銅EPC工程項目合同》)
2. Contract on Transshipment of Barren Rock at Baluba Copper Mine of CNMC Luanshya Copper Mines PLC (《盧安夏銅業有限公司巴魯巴銅礦廢石轉運合同》)
3. Contract on Mining and Construction and Installation Works (2019-2021) of CNMC Luanshya Copper Mines PLC (《中色盧安夏銅業有限公司2019至2021年採礦、建安工程合同》)
4. Contract on Domestic Bulk Material Purchase of Kambove Mining SAS in the DRC (《剛波夫礦業股份有限公司剛果(金)境內大宗材料採購合同》)

For the six months ended 30 June 2020, the aggregate value of contracts newly entered into of the Group amounted to US\$222,200,000, of which the capital commitment was US\$216,200,000.

There was no subcontracting arrangement* during the period.

- * 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 wins a project as a contractor and then transfers the entire project or subcontracts part of the project to a third party.



Panorama of the ore processing plant of Chambishi Copper Mine

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Projects In Progress

NFCA

The Integrated Exploration and Construction Project of the Chambishi Southeast Mine

The Chambishi Southeast Mine Project is one of the key development mine projects of the Group, with a designed ore processing capacity of 3,300,000 tonnes per annum, a designed capacity of 58,900 tonnes per annum of copper contained in copper concentrates and a total planned investment of the project of US\$832 million. The project has been put into production officially since 1 July 2020. At present, the total construction expenses for the project are being finalised.

Huachin Leach

Huachin Leach copper-cobalt reconstruction and expansion project

Huachin Leach copper-cobalt reconstruction and expansion project has a designed annual production capacity of 20,000 tonnes of copper cathodes and 2,000 tonnes of cobalt, with a total planned investment of US\$52.4 million. As at 30 June 2020, the project had been put into operation and an accumulative investment of US\$50.46 million had been made.

CNMC Huachin Mabende

CNMC Huachin Mabende copper cathodes reconstruction and expansion project

CNMC Huachin Mabende copper cathodes reconstruction and expansion project has a designed annual production capacity of 45,000 tonnes of copper cathodes, with a total planned investment of US\$18.91 million. As at 30 June 2020, the project was at the stage of comprehensive test run.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Projects In Progress (Continued)

Lualaba Copper Smelter

Copper Concentrates Smelting Project

Lualaba copper concentrates smelting project is designed with an annual capacity of 400,000 tonnes of copper concentrates (dry). The products are blister copper with a copper content of not less than 98.5%, sulfuric acid, liquid sulfur dioxide and copper-cobalt alloy, the designed annual output of which is 118,000 tonnes, 240,000 tonnes (100% sulfuric acid), 30,000 tonnes and 11,000 tonnes respectively, with a total planned investment amount of US\$470 million. The project has been put into production officially since 1 May 2020. At present, the total construction expenses for the project is being finalised.

Kambove Mining

Kambove integrated exploration and construction project

The project, which is currently under construction, has a designed annual capacity of 990,000 tonnes of ores, 28,000 tonnes of copper cathodes and 978 tonnes of cobalt contained in crude cobaltous hydroxide, with a total of planned investment amount of US\$238 million. As at 30 June 2020, the stripping volume of the infrastructure of completed strip mine amounted to 1,700,000 m³, representing 20% of the total project area; the workshops (such as the electrowinning workshop and the extraction workshop) of the leach plant were carrying out civil engineering construction works, representing 30% of the total project area; part of the dormitory areas met the occupancy conditions.



Panorama of the plant of copper smelting company

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 | | | | | | | |
|------------------------------------|----------------------------------|--|------------------------------|----------------------------------|---------------------------------|--|------------------------------|----------------------------------|
| | 2020 | | | | 2019 | | | |
| | Sales Volume <i>(Tonnes)</i> | Average Selling Price <i>(US\$ per tonne)</i> | Revenue <i>(US\$'000)</i> | % of Total Revenue <i>(%)</i> | Sales Volume <i>(Tonnes)</i> | Average Selling Price <i>(US\$ per tonne)</i> | Revenue <i>(US\$'000)</i> | % of Total Revenue <i>(%)</i> |
| Blister Copper and copper anodes | 121,396 | 5,062 | 614,514 | 65.2% | 125,486 | 5,717 | 717,503 | 68.5% |
| Copper cathodes | 53,689 | 5,046 | 270,934 | 28.7% | 48,816 | 5,587 | 272,741 | 26.1% |
| Sulfuric acid | 197,304 | 240 | 47,349 | 5.0% | 230,897 | 243 | 56,041 | 5.4% |
| Liquid sulphur dioxide | 4,698 | 980 | 4,603 | 0.5% | - | - | - | - |
| Cobaltous hydroxide | 29 | 21,241 | 616 | 0.1% | - | - | - | - |
| Copper products processing service | 15,810 | 300 | 4,746 | 0.5% | - | - | - | - |
| Total | 392,926 | | 942,762 | 100.0% | 405,199 | | 1,046,285 | 100.0% |

Note: The sales volumes of all the products are on a contained-copper basis, except for cobaltous hydroxide, sulfuric acid and liquid sulphur dioxide.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Revenue

The revenue of the Group decreased by 9.9% from US\$1,046.3 million in the first half of 2019 to US\$942.8 million in the first half of 2020, primarily attributable to the decrease in global copper price as compared with the same period last year.

The revenue from sales of blister copper and copper anodes decreased by 14.4% from US\$717.5 million in the first half of 2019 to US\$614.5 million in the first half of 2020, primarily attributable to the decrease in global copper price.

The revenue from sales of copper cathodes decreased by 0.7% from US\$272.7 million in the first half of 2019 to US\$270.9 million in the first half of 2020, primarily attributable to the decrease in global copper price although the sales volume increased as compared with the same period last year.

The revenue from sales of sulfuric acid decreased by 15.5% from US\$56.0 million in the first half of 2019 to US\$47.3 million in first half of 2020, primarily attributable to the decrease in sales volume of sulfuric acid as compared with the same period last year.

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

| | For the six months ended 30 June | | | | | | | |
|------------------------------------|----------------------------------|--|----------------------------|----------------------------|-----------------------------|--|----------------------------|----------------------------|
| | 2020 | | | | 2019 | | | |
| | Cost of Sales (US\$'000) | Unit Cost of Sales (US\$ per tonne) | Gross Profit (US\$'000) | Gross Profit Margin (%) | Cost of Sales (US\$'000) | Unit Cost of Sales (US\$ per tonne) | Gross Profit (US\$'000) | Gross Profit Margin (%) |
| Blister copper and copper anodes | 570,265 | 4,697 | 44,249 | 7.2 | 654,047 | 5,212 | 63,456 | 8.8 |
| Copper cathodes | 165,809 | 3,088 | 105,125 | 38.8 | 154,836 | 3,172 | 117,905 | 43.2 |
| Sulfuric acid | 9,359 | 46 | 42,593 | 82.0 | 8,401 | 36 | 47,640 | 85.0 |
| Cobaltous hydroxide | 482 | 16,621 | 134 | 21.8 | - | - | - | - |
| Copper products processing service | 1,267 | 80 | 3,479 | 73.3 | - | - | - | - |
| Total | 747,182 | | 195,580 | 20.7 | 817,284 | | 229,001 | 21.9 |

Note: The above sulfuric acid comprises liquid sulfur dioxide.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Cost of sales

The cost of sales of the Group in the first half of 2020 decreased by 8.6% to US\$747.2 million from US\$817.3 million in the first half of 2019, primarily due to the decrease in raw material cost of copper concentrates resulting from the global copper price fall.

The cost of sales of blister copper and copper anodes decreased by 12.8% from US\$654.0 million in the first half of 2019 to US\$570.3 million in the first half of 2020, primarily due to the decrease in raw material cost of copper concentrates resulting from the global copper price fall.

The cost of sales of copper cathodes increased by 7.1% from US\$154.8 million in the first half of 2019 to US\$165.8 million in the first half of 2020, primarily due to the increase in sales volume of copper cathodes as compared with the same period last year.

The cost of sales of sulfuric acid increased by 11.9% from US\$8.4 million in the first half of 2019 to US\$9.4 million in the first half of 2020, primarily due to the increase in unit production cost of sulfuric acid.

Gross profit and gross profit margin

Due to the above factors, the Group recorded a gross profit of US\$195.6 million in the first half of 2020, representing a decrease of 14.6% from US\$229.0 million in the same period of 2019. The gross profit margin decreased from 21.9% in the first half of 2019 to 20.7% in the first half of 2020 which was mainly attributable to the decrease of global copper price as compared with the same period last year.

Distribution and selling expenses

The distribution and selling expenses of the Group increased by 21.1% from US\$21.8 million in the first half of 2019 to US\$26.4 million in the first half of 2020, primarily due to the changes to the freight as agreed in some sales contracts .

Finance costs

The finance costs of the Group increased by 42.3% from US\$9.7 million in the first half of 2019 to US\$13.8 million in the first half of 2020, primarily due to part of interest expenses are no longer capitalised as some projects are put into production.

Other gains and losses

In terms of other gains and losses, the Group recorded a net loss of US\$60.2 million in the first half of 2020, increased by US\$56.1 million from the net loss of US\$4.1 million in the first half of 2019, which was primarily due to the year-on-year substantial increase in the exchange loss on input VAT receivable as a result of depreciation of Zambia Kwacha and the loss on change in fair value of financial instruments.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Income tax expense

The income tax expense of the Group decreased by 51.7% from US\$46.8 million in the corresponding period of 2019 to US\$22.6 million in the first half of 2020, primarily due to the year-on-year decrease in profit.

Profit attributable to owners of the Company

Due to the aforementioned factors, profit attributable to owners of the Company decreased by 69.2% from US\$76.3 million in the first half of 2019 to US\$23.5 million in the first half of 2020.

Liquidity and Capital Resources

Cash flows

Net cash flows generated from operating activities

Net cash flows generated from the operating activities of the Group decreased by US\$93.3 million from US\$163.0 million in the first half of 2019 to US\$69.7 million in the first half of 2020, primarily due to the decrease in profit as a result of the decline of copper prices during the reporting period.



A bird view of heap leaching at Luanshya

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Liquidity and Capital Resources (Continued)

Cash flows (Continued)

Net cash flows used in investing activities

The net cash flows used in investing activities of the Group was US\$67.2 million in the first half of 2020, which decreased by US\$132.5 million from US\$199.7 million in the first half of 2019, mainly attributable to the decrease in investment in fixed assets.

Net cash flows generated from financing activities

The net cash flow generated from financing activities of the Group was US\$96.4 million in the first half of 2020, which decreased by US\$28.5 million from US\$124.9 million in the first half of 2019, mainly attributable to the increase in dividends from subsidiaries as compared with the same period last year.

Bank balances and cash

The Group's bank balances and cash (including cash and demand deposits) increased by US\$98.1 million from US\$481.2 million as at 31 December 2019 to US\$579.3 million as at 30 June 2020.

Trade receivables at amortised cost/trade receivables at FVTPL

As at 30 June 2020, the Group recorded trade receivables at amortised cost of US\$28.5 million and trade receivables at FVTPL of US\$183.4 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\$211.9 million, which increased by US\$38.2 million from US\$173.7 million as at 31 December 2019, primarily attributable to the increase in trade receivables arising from the copper products and sulfuric acid that were not settled.

Inventories

Inventories held by the Group increased by US\$77.6 million from US\$530.1 million as at 31 December 2019 to US\$607.7 million as at 30 June 2020, primarily due to the increase in stocks of blister copper.

Trade payables/trade payables designated at FVTPL

As at 30 June 2020, the Group recorded trade payables of US\$172.2 million and trade payables designated at FVTPL of US\$141.6 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\$313.8 million, which increased by US\$41.3 million from US\$272.5 million as at 31 December 2019, primarily due to the increase in outstanding payments for purchase of copper concentrates.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Liquidity and Capital Resources (Continued)

Bank loans and other borrowings

As of 30 June 2020, the Group's balance of bank loans and other borrowings amounted to US\$1,356.8 million, among which:

- (1) Balance of bank loans and other borrowings due within one year amounted to US\$397.3 million;
- (2) Balance of bank borrowings due more than one year but not exceeding two years amounted to US\$405.5 million;
- (3) Balance of bank loans and other borrowings due more than two years but not exceeding five years amounted to US\$324.0 million;
- (4) Balance of bank borrowings due more than five years amounted to US\$230.0 million.

As of 30 June 2020, the Group's bank loans and other borrowings were denominated in US dollar and had no seasonal features.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Capital Expenditure

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------------|
| | 2020 US\$'000 (Unaudited) | 2019 US\$'000 (Unaudited) |
| Mining and ore processing facilities at Chambishi Southeast Mine of NFCA | 29,355 | 59,252 |
| Other mining and ore processing facilities at NFCA | 1,850 | 36,265 |
| Mining and ore processing facilities at Luanshya (Baluba East Mine) | 7,114 | 2,357 |
| Other facilities at Luanshya | 434 | – |
| Smelting facilities at CCS | 6,149 | 2,777 |
| Leaching facilities at Chambishi Leach Plant | 533 | 1,116 |
| Leaching facilities at CNMC Huachin Leach Project | 11,104 | 36,462 |
| Leaching facilities at Mabende Project | 4,025 | 10,194 |
| Smelting facilities at Lualaba Copper Smelter | 1,267 | 82,091 |
| Mining and ore processing facilities at Kambove Mining | 37,617 | 765 |
| Other facilities at Luano Project | 920 | 26 |
| Total | 100,368 | 231,305 |

The total capital expenditure of the Group decreased by US\$130.9 million from US\$231.3 million in the first half of 2019 to US\$100.4 million in the first half of 2020, primarily due to the fact that the smelting facilities at Lualaba Copper Smelter were already in trial production from January to April 2020 and were already in commercial production from May to June 2020, and the Chambishi Southeast Mine project of NFCA and others had been in trial production.

Financial Policies

As of 30 June 2020, the Group formulated the Financial Budget Management System, the Funds Management System, the Inventories Management System, the Fixed Assets Management System, the Financial Information Disclosure Management System, Management Measures on Approval Procedures and Permissions of Financial Income and Expenses of the Central Office and other financial policies, which aim to regulate and enhance internal control of relevant activities of the Group to ensure the safety of the Group's assets, protect investors' interests and improve operation and management level for compliance with relevant laws and regulations of Hong Kong as well as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

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 of the Company (the "Directors") will consider hedging significant interest rate risk should the need arise.

EMPLOYEE AND REMUNERATION POLICIES

Remuneration of employees (including the Directors) was determined based on their work nature, experience and contributions to the Group. Employees were also entitled to bonus as an incentive subject to their performance.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

Save for those disclosed in this interim report, there were no other significant investments held, material acquisitions or disposals of subsidiaries during the period for the six months ended 30 June 2020. Apart from those disclosed in this interim report, there was no plan approved by the board of directors of the Company (the "Board") for other material investments or acquisition of capital assets as at the date of this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CHARGES ON ASSETS

As at 30 June 2020, no assets of the Group were being charged (as at 31 December 2019: Nil).

GEARING RATIO

As at 30 June 2020, the gearing ratio was 76.1% (as at 31 December 2019: 69.7%) as 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

As at 30 June 2020, saved as disclosed in this interim report, there was no other material contingent liabilities (as at 31 December 2019: Nil).

NO MATERIAL CHANGES

Saved as disclosed in this interim report, for the period from 1 January 2020 to 30 June 2020, there were no material changes affecting the Company's performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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



Water from the well drilled for the villagers, free of charge



Singing and dancing villagers

USE OF PROCEEDS FROM THE GLOBAL OFFERING

As at 30 June 2020, US\$225.77 million of the net proceeds from the Global Offering had been utilised by the Company and US\$37 million of the net proceeds from the Global Offering intended for the 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\$15 million had been utilised and US\$22 million remained unutilised. A detailed analysis of the use of proceeds from the Global Offering is set out as follows:

| Item | Intended use of net proceeds <i>US\$'000</i> | Utilised amount as at 30 June 2020 <i>US\$'000</i> | Utilised amount during the six months ended 30 June 2020 <i>US\$'000</i> | Unutilised amount as at 30 June 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 | 15,000 | 15,000 | 22,000 | 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 | 247,770 | 225,770 | 15,000 | 22,000 | N/A |

The Board may, taking account of the overall economic conditions, market situation and the business strategies of the Group, change or modify the plan for the unutilised proceeds as and when appropriate.

The remaining balance of the net proceeds has been placed in interest-bearing deposit accounts with banks.



Muliashi Strip Mine

NUMBER OF SHARES AND PARTICULARS OF SHAREHOLDERS

NUMBER OF SHARES

As at 30 June 2020, the Company had issued 3,489,036,000 ordinary shares (the “Shares”).

PARTICULARS OF SHAREHOLDERS

Substantial Shareholders and Other Persons’ Interest and Short Positions in Shares and Underlying Shares

As at 30 June 2020, 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 ^(Note) | Registered owner | 2,600,000,000 | 74.52% |
| CNMC | Interest in a controlled corporation | 2,600,000,000 | 74.52% |

Note: China Nonferrous Mining Development Limited (“CNMD”) is a wholly-owned subsidiary of China Nonferrous Metal Mining (Group) Co., Ltd* (“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 2020, 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.

* Translation of English term for reference purposes only

NUMBER OF SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

PARTICULARS OF SHAREHOLDERS (CONTINUED)

Substantial Shareholders and Other Persons' Interest and Short Positions in Shares and Underlying Shares (Continued)

As at 30 June 2020, each of the following entities was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

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

Save as disclosed above, as at 30 June 2020, 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.

* Translation of English terms for reference purposes only

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be critical in safeguarding the integrity of the Company's operations and maintaining investors' trust in the Company.

During the reporting period, in order to further optimise and strengthen better corporate governance practices and procedures, the Group further optimised the internal control system and made full use of monthly compliance report to effectively monitor on significant issues including legal cases, connected transactions, internal control of risk and inside information, etc.

During the reporting period, the Board and the committees of the Board of the Company complied with laws in performing their duties and operated in accordance with standards. The Group fulfilled relevant procedures and made disclosure in respect of the use of raised proceeds, material investment and connected transactions and so forth.

To provide further understanding of operation mode, business activities and development conditions for independent Directors, the management provided the Directors with a monthly summary of the major information about the operational development and compliance of the Company.

The Company had been complying with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2020.

HUMAN RESOURCES

EMPLOYEE INFORMATION

As at 30 June 2020, the Group employed a total of 10,833 employees (30 June 2019: 6,857), which comprised 880 foreign employees and 9,953 local employees in Zambia and the DRC. The total cost of employees amounted to approximately US\$54.4 million (30 June 2019: US\$45.2 million). The year-on-year increase in the total cost of employees was primarily attributable to the commencement of production of Lualaba copper smelter during the reporting period and the increase in labor cost resulting from the commencement of infrastructure construction of Kambove project.



NICA office area



Mines Rescue Team

CORPORATE SOCIAL RESPONSIBILITY

The Group always adheres to its operating mission of “delivering returns to Shareholders, employees and the society through corporate development”, and seriously performs environmental and social responsibility in accordance with the industry that the enterprise belongs to as well as operational features.

WORKING ENVIRONMENT

The Group highly embraces the corporate governance concept of being “people oriented”, upholds a fair and normative labour policy, pays great respect to the cultural background of employees, protects employees’ interests and strictly implements labour policies in relation to social security, working hours and holidays where the enterprises are located. By regularly organizing collective negotiations to determine welfare including remuneration, transportation, housing and medical allowance, and striving to offer a market-competitive remuneration system, the Group provides employees with a healthy and harmonious working and living environment; for the employment and promotion of employees, the Group handles the business in strict compliance with employment management system. Discriminations based on race, religion, skin colour and gender are prohibited; and procedures for complaints are set up. The Group attaches great importance to enhancing quality and ability of staff. Every subsidiary has its special training institution and staff, which carries out comprehensive and multi-level subject trainings for our employees such as vocational skills training and health and safety training, and provides quality environment for their growth, thus achieving common growth of employees and enterprise.

HEALTH AND SAFETY

The Group strictly complies with relevant laws and regulations concerning safety production and labour protection where the enterprises are located, and always adheres to the safety production principle of “safety first, prevention foremost”. The safety production concept of “respect for life, prevention first” was upheld from the Group to all the subsidiaries. The standards for safety production management have been effectively improved through the implementation of an accountability mechanism of the entities responsible for safety production, specification of the scope of safety production responsibility, enhancement of safe production education and risk prevention and control, development of overall safety inspection and latent defect investigation and governance, constant improvement and optimisation of the contingency plan and reinforcement of emergency rescue team building. The Group has attached great importance to the investment and construction of safety environmental facilities as well as the equipment and the management regarding the use of labour protection equipment for staff. In every mine and factory, fully-equipped first aid team was developed, and first aid stations were also established. In the first half of 2020, the Group maintained the stable situation of safety production.

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

ENVIRONMENTAL PROTECTION

The Group aims at establishing an environmentally friendly enterprise, actively carries out energy conservation and emission reduction and strengthens the testing and monitoring of pollutants emission to ensure clean production. The Group attaches great importance to the recycling and sustainable use of resources. The Group pays attention to using environmental-friendly equipment and advanced technology for production, endeavors to promote the establishment of an environmental management system, so as to improve the resources recycling and reuse as well as environmental protection level. Currently, the Group has basically achieved the selection of mines and reuse of industrial water under the wells.

COMMUNITY PARTICIPATION AND OPERATING PRACTICE

Based on copper and cobalt resources development, with the self-development and growth of the Group, it follows the “mutual benefit and win-win” cooperation concept, attaches great importance to the concern of the Company’s shareholders (“Shareholders”), employees, suppliers and communities, actively cultivates the local market, supports local enterprises, shares benefits with suppliers, contributes to the local economy and social development and progress where the enterprises are located through the creation of taxation income, provision of jobs and development of related industries, and provides employees with vocational development and protection to create value for Shareholders.

In the first half of 2020, the Group continued to actively participate in local social welfare undertakings where the enterprises were located in cash and in kind. It supported social welfare undertakings including urban construction, active development of vocational education and cure and public sports facilities construction, which were highly appreciated by the local government and local residents and further established a good corporate-citizenship image as a listed company.

FUTURE PROSPECTS

In the first half of the year, the COVID-19 pandemic swiftly swept across the country, and was spreading widely with an unprecedented impact. The global economic downturn combined with the impact of the pandemic has led to a significant increase in uncertainties and destabilising factors in global economic growths. However, against the backdrop of global joint efforts to fight the pandemic, especially from the successful measures in China and other relevant countries in fighting the pandemic, the humankind will surely overcome the pandemic with economies eventually resuming growth. The Group's principal businesses in Zambia and the DRC in South Central Africa overcame the impact of the pandemic. As at the date of this interim report, the Group maintained stable and orderly development in production, operation and construction. In the long run, the difficulty of copper and cobalt mining is increasing, and the products are still in a tight balance. Meanwhile, along with the global economic growths as well as the developments in such sectors as electrical power, transportation, metallurgy, communications and new energy, it is expected that vast market demand for copper, cobalt, sulfuric acid and liquid sulphur dioxide products will arise, positioning the Group well in the long term.

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, the Group will continue to implement the "concept of off-peak development" and strive to achieve high quality and effective economic growth through improvement of capacity expansion, cost reduction, quality and efficiency as well as innovation, with effective pandemic prevention and control measures in place on a routine basis.



Zambian President Lungu cut the ribbon for the trial production ceremony of Chambishi Southeast Mine

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 CNMD, incorporated in the British Virgin Islands, and 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/cobalt metal, mining, ore processing, leaching, smelting and sale business of copper cathodes, copper anodes, blister copper, copper-cobalt alloy, cobaltous hydroxide and sulfuric acid. The condensed consolidated financial statements are presented in United States dollars, which is also the functional currency of the Company and the Group.

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

As at 30 June 2020, 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.

OTHER INFORMATION (CONTINUED)

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 2020.

CHANGES IN THE INFORMATION OF THE DIRECTORS

Mr. Tongzhou Wang resigned as the chairman of the Board, an executive Director and the chairman of the compliance committee under the Board with effect from 4 September 2020.

Mr. Huanfei Guan, an independent non-executive Director, resigned as an independent non-executive director of HongDa Financial Holding Limited (stock code: 01822) on 15 May 2020, and has been appointed as an executive director and Chairman of the board of directors of Enterprise Development Holdings Limited (stock code: 01808) since 2 June 2020. Shares of those companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Save as aforesaid, since 27 April 2020 (the date of publication of the 2019 Annual Report), there has been no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and paragraph C3 of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules (the "Audit Committee"). The primary duties of the Audit Committee are to supervise the financial reporting process and internal control and risk management systems of the Group. Members of the Audit Committee are Mr. Jinjun Zhang, a non-executive Director, and Mr. Jingwei Liu and Mr. Huanfei Guan, independent non-executive Directors. The Audit Committee has reviewed the Group's unaudited condensed financial statements for the six months ended 30 June 2020, and was of the opinion that such unaudited condensed financial statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that disclosures had been made.

OTHER INFORMATION (CONTINUED)

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 2020.

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 2020.



Monument for the discovery of the copper mine at Luanshya

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF CHINA NONFERROUS MINING CORPORATION LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Nonferrous Mining Corporation Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 39 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company (the “Directors”) are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2020 US\$'000 (Unaudited) | 2019 US\$'000 (Unaudited) |
| Revenue from contracts with customers | 4,5 | 942,762 | 1,046,285 |
| Cost of sales | | (747,182) | (817,284) |
| Gross profit | | 195,580 | 229,001 |
| Other income | | 4,359 | 7,481 |
| Other gains and losses | 6 | (60,197) | (4,117) |
| Distribution and selling expenses | | (26,413) | (21,802) |
| Administrative expenses | | (29,377) | (29,796) |
| Other expenses | | (2,960) | (3,157) |
| Finance costs | 7 | (13,845) | (9,694) |
| Profit before tax | | 67,147 | 167,916 |
| Income tax expense | 8 | (22,624) | (46,819) |
| Profit and total comprehensive income for the period | 9 | 44,523 | 121,097 |
| Profit and total comprehensive income attributable to: | | | |
| Owners of the Company | | 23,466 | 76,315 |
| Non-controlling interests | | 21,057 | 44,782 |
| | | 44,523 | 121,097 |
| Earnings per share | 11 | | |
| – Basic and diluted (<i>US cents per share</i>) | | 0.67 | 2.19 |
| – Basic and diluted (<i>equivalent to approximately HK\$ per share</i>) | | 0.05 | 0.17 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

| | <i>Notes</i> | At 30 June 2020 US\$'000 (Unaudited) | At 31 December 2019 US\$'000 (Audited) |
|---|--------------|---|---|
| ASSETS | | | |
| Non-current Assets | | | |
| Property, plant and equipment | 12 | 1,717,231 | 1,693,734 |
| Right-of-use assets | | 17,378 | 19,860 |
| Mining rights | 13 | 153,155 | 78,225 |
| Restricted bank balances | | 6,146 | 6,146 |
| Deferred tax assets | | 28,727 | 18,735 |
| Prepayments and other receivables | 16 | 78,260 | 94,391 |
| | | 2,000,897 | 1,911,091 |
| Current Assets | | | |
| Inventories | 14 | 607,715 | 530,093 |
| Finance lease receivables | | 35 | 63 |
| Trade receivables at amortised cost | 15 | 28,465 | 11,496 |
| Trade receivables at fair value through profit or loss ("FVTPL") | 15 | 183,436 | 162,212 |
| Prepayments and other receivables | 16 | 217,225 | 218,069 |
| Restricted bank balances | | 2,479 | 1,297 |
| Bank balances and cash | | 579,253 | 481,210 |
| | | 1,618,608 | 1,404,440 |
| Total Assets | | 3,619,505 | 3,315,531 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2020

| | <i>Notes</i> | At 30 June 2020 US\$'000 (Unaudited) | At 31 December 2019 US\$'000 (Audited) |
|---|--------------|---|---|
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Share capital | | 613,233 | 613,233 |
| Retained profits | | 397,032 | 400,571 |
| Equity attributable to owners of the Company | | 1,010,265 | 1,013,804 |
| Non-controlling interests | | 509,645 | 522,272 |
| Total Equity | | 1,519,910 | 1,536,076 |
| Non-current Liabilities | | | |
| Deferred tax liabilities | | 48,396 | 44,775 |
| Bank and other borrowings | | | |
| – due after one year | 19 | 959,480 | 894,480 |
| Lease liabilities | | 16,733 | 18,601 |
| Deferred income | | 16,455 | 16,566 |
| Provision for restoration, rehabilitation and environmental costs | | 25,118 | 23,131 |
| | | 1,066,182 | 997,553 |
| Current Liabilities | | | |
| Trade payables | 17 | 172,185 | 156,478 |
| Trade payables designated at FVTPL | 17 | 141,550 | 116,051 |
| Other payables and accrued expenses | 18 | 203,232 | 84,034 |
| Income tax payable | | 97,364 | 97,306 |
| Bank and other borrowings | | | |
| – due within one year | 19 | 397,307 | 301,298 |
| Lease liabilities | | 6,370 | 6,802 |
| Contract liabilities | | 7,104 | 18,502 |
| Financial liabilities designated at FVTPL | | 8,301 | 1,431 |
| | | 1,033,413 | 781,902 |
| Total Liabilities | | 2,099,595 | 1,779,455 |
| Total Equity and Liabilities | | 3,619,505 | 3,315,531 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | Attributable to owners of the Company | | | Non-controlling interests US\$'000 | Total equity US\$'000 |
|--|---------------------------------------|------------------------------|-------------------|---------------------------------------|--------------------------|
| | Share capital US\$'000 | Retained profits US\$'000 | Total US\$'000 | | |
| Six months ended 30 June 2020 | | | | | |
| At 31 December 2019 (Audited) | 613,233 | 400,571 | 1,013,804 | 522,272 | 1,536,076 |
| Profit and total comprehensive income for the period | - | 23,466 | 23,466 | 21,057 | 44,523 |
| Dividends declared by a subsidiary | - | - | - | (33,684) | (33,684) |
| Dividends declared by the Company | - | (27,005) | (27,005) | - | (27,005) |
| At 30 June 2020 (Unaudited) | 613,233 | 397,032 | 1,010,265 | 509,645 | 1,519,910 |
| Six months ended 30 June 2019 | | | | | |
| At 31 December 2018 (Audited) | 613,233 | 294,949 | 908,182 | 388,373 | 1,296,555 |
| Profit and total comprehensive income for the period | - | 76,315 | 76,315 | 44,782 | 121,097 |
| Dividends declared by the Company | - | (29,252) | (29,252) | - | (29,252) |
| At 30 June 2019 (Unaudited) | 613,233 | 342,012 | 955,245 | 433,155 | 1,388,400 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2020 US\$'000 (Unaudited) | 2019 US\$'000 (Unaudited) |
| NET CASH FROM OPERATING ACTIVITIES | 69,675 | 163,006 |
| NET CASH USED IN INVESTING ACTIVITIES: | | |
| Interest received | 772 | 3,083 |
| Proceeds from disposal of property, plant and equipment | – | 4 |
| Purchase of property, plant and equipment | (66,785) | (166,708) |
| Placement of restricted bank balances | (1,344) | (183) |
| Proceeds from release of restricted bank balances | 162 | 866 |
| Placement of bank deposits | – | (36,938) |
| Repayment of finance lease receivables from fellow subsidiaries | 28 | 167 |
| Finance income under finance leases to a fellow subsidiary received | 2 | 11 |
| | (67,165) | (199,698) |
| NET CASH FROM FINANCING ACTIVITIES: | | |
| Dividends paid to shareholders of the Company | – | (12,977) |
| Dividend paid to a non-controlling shareholder of a subsidiary | (32,000) | – |
| Interest paid | (29,038) | (28,163) |
| Repayments of bank and other borrowings | (64,803) | (131,024) |
| New bank and other borrowings raised | 225,000 | 300,000 |
| Repayments of leases liabilities | (2,770) | (2,982) |
| | 96,389 | 124,854 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 98,899 | 88,162 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 481,210 | 505,091 |
| Effect of foreign exchange rate changes | (856) | (517) |
| CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by | | |
| Bank balances and cash | 579,253 | 592,736 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

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

The financial information relating to the year ended 31 December 2019 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. As such, the financial positions and performance of the Group were affected in different aspects, including decreased copper price and postponement of products delivery, which resulted in reduction of revenue as disclosed in the relevant notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|---|--------------------------------|
| Amendments to HKAS 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 period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

| | Six months ended 30 June 2019 | |
|--------------------------------------|--|--|
| | Leaching <i>US\$'000</i> (Unaudited) | Smelting <i>US\$'000</i> (Unaudited) |
| Sales of goods to external customers | | |
| Copper cathodes | 272,741 | – |
| Blister copper and copper anodes | – | 717,503 |
| Sulfuric acid | – | 56,041 |
| Total | 272,741 | 773,544 |
| Geographical markets | | |
| Mainland China | 175,197 | 352,013 |
| Hong Kong | – | 250,086 |
| Switzerland | 21,860 | 60,815 |
| Singapore | 37,951 | 78,762 |
| Africa | – | 31,868 |
| Luxemburg | 37,733 | – |
| Total | 272,741 | 773,544 |
| Timing of revenue recognition | | |
| A point in time | 272,741 | 773,544 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

5. SEGMENT INFORMATION

Segment revenue and results

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

| | Leaching <i>US\$'000</i> (Unaudited) | Smelting <i>US\$'000</i> (Unaudited) | Consolidated <i>US\$'000</i> (Unaudited) |
|--------------------------------------|--|--|--|
| Six months ended 30 June 2020 | | | |
| Revenue from external sales | 271,550 | 671,212 | 942,762 |
| Inter-segment sales | – | 18,216 | 18,216 |
| Total segment revenue | 271,550 | 689,428 | 960,978 |
| Elimination | | | (18,216) |
| Revenue for the period | | | 942,762 |
| Segment profit | 35,618 | 11,350 | 46,968 |
| Unallocated income* | | | 580 |
| Unallocated expenses# | | | (3,025) |
| Profit for the period | | | 44,523 |
| | Leaching <i>US\$'000</i> (Unaudited) | Smelting <i>US\$'000</i> (Unaudited) | Consolidated <i>US\$'000</i> (Unaudited) |
| Six months ended 30 June 2019 | | | |
| Revenue from external sales | 272,741 | 773,544 | 1,046,285 |
| Inter-segment sales | – | 24,236 | 24,236 |
| Total segment revenue | 272,741 | 797,780 | 1,070,521 |
| Elimination | | | (24,236) |
| Revenue for the period | | | 1,046,285 |
| Segment profit | 72,685 | 50,207 | 122,892 |
| Unallocated income* | | | 4,349 |
| Unallocated expenses# | | | (6,144) |
| Profit for the period | | | 121,097 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

* 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.

Segment assets and liabilities

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

| | At 30 June 2020 US\$’000 (Unaudited) | At 31 December 2019 US\$’000 (Audited) |
|--------------------------------|---|---|
| Segment assets | | |
| – Leaching | 972,502 | 801,444 |
| – Smelting | 2,433,918 | 2,326,832 |
| Total segment assets | 3,406,420 | 3,128,276 |
| Unallocated assets* | 215,011 | 190,694 |
| Elimination | (1,926) | (3,439) |
| Consolidated total assets | 3,619,505 | 3,315,531 |
| Segment liabilities | | |
| – Leaching | 453,348 | 367,736 |
| – Smelting | 1,536,965 | 1,311,231 |
| Total segment liabilities | 1,990,313 | 1,678,967 |
| Unallocated liabilities* | 111,208 | 103,927 |
| Elimination | (1,926) | (3,439) |
| Consolidated total liabilities | 2,099,595 | 1,779,455 |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

6. OTHER GAINS AND LOSSES

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2020 US\$'000 (Unaudited) | 2019 US\$'000 (Unaudited) |
| Impairment loss, net of reversal | | |
| Input value added tax ("VAT") receivables | 1,420 | 2,287 |
| Financial assets under expected credit loss model | (80) | – |
| Loss on disposal of property, plant and equipment, net | 394 | 130 |
| Loss (gain) arising on change in fair value of financial assets/ liabilities at FVTPL | | |
| – Financial liabilities designated at FVTPL | 4,156 | 1,557 |
| – Trade receivables at FVTPL | 12,853 | 11,047 |
| – Trade payables designated at FVTPL | 37 | (18,416) |
| Foreign exchange loss, net (<i>note</i>) | 41,417 | 7,512 |
| | 60,197 | 4,117 |

Note: The amount included exchange losses arising from the retranslation of input VAT receivables denominated in Zambia Kwacha ("ZMK") to US\$ amounting to US\$41,215,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: US\$8,337,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

7. FINANCE COSTS

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2020 US\$'000 (Unaudited) | 2019 US\$'000 (Unaudited) |
| Interest on bank and other borrowings | 29,850 | 30,350 |
| Unwinding of the discount | 555 | 571 |
| | 30,405 | 30,921 |
| Less: Amount capitalised in construction in progress arose on the borrowings specifically for the purpose of qualifying assets | (16,560) | (21,227) |
| | 13,845 | 9,694 |
| The weighted average capitalisation rate used to determine the amount of borrowing costs arose on the borrowings specifically eligible for capitalisation (per annum) | 4.84% | 5.60% |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

8. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|--------------------------|---------------------------------|---------------------------------|
| | 2020 US\$'000 (Unaudited) | 2019 US\$'000 (Unaudited) |
| Current tax: | | |
| Income tax in DRC | 11,010 | 11,099 |
| Income tax in Zambia | 17,985 | 24,951 |
| | 28,995 | 36,050 |
| Deferred tax | | |
| Current period | (6,371) | 10,769 |
| Total income tax expense | 22,624 | 46,819 |
| Effective tax rate | 33.7% | 27.9% |

Note: Chambishi Copper Smelter Limited ("CCS"), a non-wholly owned subsidiary of the Company located in Zambia, is eligible for the tax exemption for the first five profitable years; 50% income tax relief for the next three years thereafter; and 25% of income tax relief for the next two years thereafter. The tax incentives are applicable to the assessable profit generated from the two different phases of production facilities of CCS with different dates of commencement of the tax incentives. One of the phases of production facilities of CCS is under the first year of 0% income tax relief during the current year (six months ended 30 June 2019: 25%). The remaining phase of production facilities of CCS is under the first year of 50% income tax relief during the current year (six months ended 30 June 2019: 100%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following items:

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2020 US\$'000 (Unaudited) | 2019 US\$'000 (Unaudited) |
| Depreciation of property, plant and equipment | 63,796 | 49,901 |
| Depreciation of right-of-use assets | 2,482 | 2,680 |
| Amortisation of mining rights | 70 | – |
| Total depreciation and amortisation | 66,348 | 52,581 |
| Less: capitalised in inventories | (54,795) | (47,943) |
| capitalised in construction in progress | (5,815) | (1,900) |
| | 5,738 | 2,738 |
| Cost of inventories recognised as an expense | 747,182 | 798,868 |

10. DIVIDENDS

During the six months ended 30 June 2020, a final dividend of US¢0.7740 per share in respect of the year ended 31 December 2019 (six months ended 30 June 2019: US¢0.8384 per share in respect of the year ended 31 December 2018) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the six months ended 30 June 2020 amounted to US\$27,005,200 (six months ended 30 June 2019: US\$29,252,000).

The Directors do not recommend interim dividend for the current period (six months ended 30 June 2019: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

11. 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 | |
|--|--------------------------|---------------------|
| | 2020 (Unaudited) | 2019 (Unaudited) |
| Profit for the period attributable to owners of the Company for the purpose of basic earnings per share <i>(in US\$'000)</i> | 23,466 | 76,315 |
| Number of ordinary shares for the purpose of basic earnings per share <i>(in '000)</i> | 3,489,036 | 3,489,036 |
| Earnings per share | | |
| – Basic and diluted <i>(US cents per share)</i> | 0.67 | 2.19 |
| – Basic and diluted <i>(equivalent to approximately HK\$ per share)</i> | 0.05 | 0.17 |

During the six months ended 30 June 2020 and 2019, there was no potential ordinary share outstanding with diluted impact.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment and incurred construction costs in an aggregate amount of US\$96,027,000 (six months ended 30 June 2019: US\$176,842,000).

13. MINGING RIGHTS

A new supplemental operation agreement dated 20 June 2020 was entered into among the Group, a non-wholly-owned subsidiary of the Company (the “Entity”), and the Entity’s non-controlling shareholder (“Party A”) (the “Third Supplemental Agreement”), pursuant to which, the Entity will pay a one-off entry fee (the “Entry Fee”) amounting to US\$75,000,000 for the mining rights injected by Party A (the “Mining Rights”) to Party A in three installments.

In the opinion of the Directors, the Entry Fee was recognised as mining rights in the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

14. INVENTORIES

| | At 30 June 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|-----------------------------|--|--|
| Raw materials | 277,529 | 323,677 |
| Spare parts and consumables | 99,921 | 101,528 |
| Work in progress | 98,433 | 84,203 |
| Finished goods | 131,832 | 20,685 |
| | 607,715 | 530,093 |

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

| | At 30 June 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|-------------------------------------|--|--|
| Trade receivables at amortised cost | 28,909 | 12,020 |
| Less: Allowance for credit losses | (444) | (524) |
| | 28,465 | 11,496 |
| Trade receivables at FVTPL | 183,436 | 162,212 |

As at 30 June 2020 and 31 December 2019, all trade receivables at amortised cost/trade receivables at FVTPL are from contracts with customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

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 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|-----------------|--|--|
| 0 to 30 days | 22,652 | 6,450 |
| 31 to 90 days | 3,275 | 3,263 |
| 91 to 180 days | 1,340 | 360 |
| 181 to 365 days | 1,198 | 1,423 |
| | 28,465 | 11,496 |

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

| | At 30 June 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|----------------|--|--|
| 0 to 30 days | 162,936 | 144,259 |
| 31 to 90 days | 19,870 | 13,085 |
| 91 to 180 days | 630 | 4,868 |
| | 183,436 | 162,212 |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

Included in the Group's trade receivables at amortised cost/trade receivables at FVTPL are balances with the following related parties:

| | At 30 June 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|---|--|--|
| Trade receivables at amortised cost: | | |
| Fellow subsidiaries | 10,845 | 4,761 |
| Trade receivables at FVTPL: | | |
| Fellow subsidiaries | 115,353 | 56,266 |
| Subsidiaries of a non-controlling shareholder of a subsidiary | 48,229 | 51,016 |
| | 163,582 | 107,282 |

The above balances with related parties are unsecured, interest-free and are receivable according to the relevant sales contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

16. PREPAYMENTS AND OTHER RECEIVABLES

| | At 30 June 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|--|--|--|
| Non-current: | | |
| Deposits for property, plant and equipment | 4,951 | 3,019 |
| Deposits in connection with the restoration and rehabilitation obligations | 2,139 | 2,139 |
| Premium for electricity supply | 9,642 | 9,861 |
| Input VAT receivables, net (note) | 61,528 | 79,372 |
| | 78,260 | 94,391 |
| Current: | | |
| Prepayments for inventories and others | 80,372 | 50,950 |
| Input VAT receivables, net (note) | 81,910 | 127,877 |
| Deposits in futures margin accounts | 46,919 | 31,257 |
| Other receivables | 8,024 | 7,985 |
| | 217,225 | 218,069 |

Note: The gross carrying amount of input VAT receivables is US\$168,623,000 (31 December 2019: US\$231,014,000). Impairment provision is estimated based on the present value of the estimated future cash flows, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the input VAT receivables for which the estimates of future cash flows have not been adjusted. An impairment provisions amounting to US\$25,185,000 (31 December 2019: US\$23,765,000) in aggregate have been made on input VAT receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

16. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Included in the Group's prepayments and other receivables are balances with the following related parties:

| | At 30 June 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|--|--|--|
| China Nonferrous Metal Mining (Group) Co., Ltd ("CNMC") | 41 | 41 |
| Fellow subsidiaries | 8,546 | 8,403 |
| Subsidiaries of non-controlling shareholders of subsidiaries | 4,968 | 4,888 |
| | 13,555 | 13,332 |

The balances of prepayments for inventories and others with related parties are unsecured, interest-free and are settled according to the relevant agreements, the remaining balances with related parties are unsecured, interest-free and are receivable on demand.

Allowance for input VAT receivables

The movement in the allowance for input VAT receivables during the six months ended 30 June 2020 was as follows:

| | 2020 <i>US\$'000</i> | 2019 <i>US\$'000</i> |
|------------------------------|-------------------------|-------------------------|
| Balance at 1 January | 23,765 | 17,886 |
| Impairment losses recognised | 1,420 | 2,287 |
| Balance at 30 June | 25,185 | 20,173 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

17. TRADE PAYABLES/TRADE PAYABLES DESIGNATED AT FVTPL

| | At 30 June 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|------------------------------------|--|--|
| Trade payables | 172,185 | 156,478 |
| Trade payables designated at FVTPL | 141,550 | 116,051 |

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

| | At 30 June 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|-----------------|--|--|
| 0 to 30 days | 62,339 | 74,979 |
| 31 to 90 days | 37,340 | 18,042 |
| 91 to 180 days | 23,643 | 17,517 |
| 181 to 365 days | 3,570 | 630 |
| 1–2 years | 610 | 981 |
| Over 2 years | 44,683 | 44,329 |
| | 172,185 | 156,478 |

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

| | At 30 June 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|-----------------|--|--|
| 0 to 30 days | 130,219 | 85,941 |
| 31 to 90 days | 11,331 | 11,976 |
| 91 to 180 days | – | 10,728 |
| 181 to 365 days | – | 7,406 |
| | 141,550 | 116,051 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

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

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

Included in the Group's trade payables/trade payables designated at FVTPL are balances with the following related parties:

| | At 30 June 2020 US\$'000 (Unaudited) | At 31 December 2019 US\$'000 (Audited) |
|---|---|---|
| Trade payables: | | |
| Fellow subsidiaries | 46,089 | 55,595 |
| CNMC | 154 | 154 |
| A subsidiary of a non-controlling shareholder of a subsidiary | 5,196 | – |
| | 51,439 | 55,749 |
| Trade payables designated at FVTPL: | | |
| Fellow subsidiaries | – | 1,611 |

The above balances with related parties are unsecured, interest-free and are repayable within three months.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

18. OTHER PAYABLES AND ACCRUED EXPENSES

| | At 30 June 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|---|--|--|
| Payables for property, plant and equipment | 64,647 | 51,935 |
| Payables for mining rights (note 13) | 75,000 | – |
| Dividend payable to the shareholders of the Company (note 10) | 27,005 | – |
| Dividend payable to a non-controlling shareholder of a subsidiary | 1,050 | 1,050 |
| Other tax payables | 10,498 | 8,954 |
| Payroll payables | 10,592 | 10,113 |
| Accrued expenses | 14,440 | 11,982 |
| | 203,232 | 84,034 |

Included in the Group's other payables and accrued expenses are balances with the following related parties:

| | At 30 June 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|--|--|--|
| CNMC | 22,567 | 1,358 |
| Fellow subsidiaries | 31,905 | 11,388 |
| Non-controlling shareholders of subsidiaries | 1,057 | 1,057 |
| | 55,529 | 13,803 |

The above balances with related parties are unsecured, interest-free and are repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

19. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2020, the Group obtained new bank and other borrowings amounting to US\$225,000,000 in total (six months ended 30 June 2019: US\$300,000,000, including a loan of US\$20,000,000 carrying a fixed interest rate of 6%, a loan of US\$80,000,000 carrying a variable interest rate of 3-months LIBOR plus 2.0% and a loan of US\$200,000,000 carrying a variable interest rate of 3-months LIBOR plus 2.3%) carrying a variable interest rate of 3-months LIBOR plus 2.3%, and repaid bank and other borrowings amounting to US\$64,803,000 (six months ended 30 June 2019: US\$131,024,000).

The Group's borrowings included a loan from a non-controlling shareholder of a subsidiary of US\$20,000,000 (31 December 2019: US\$20,000,000), which is unsecured and bears interest at a rate of 6% per annum (six months ended 30 June 2019: 6%), and a loan of US\$130,000,000 (31 December 2019: US\$130,000,000) from a fellow subsidiary, which is unsecured and bear interest at rate varies based on 6 months LIBOR plus 3.7% per annum (six months ended 30 June 2019: 6 months LIBOR plus 3.7%).

20. CAPITAL COMMITMENTS

| | At 30 June 2020 <i>US\$'000</i> (Unaudited) | At 31 December 2019 <i>US\$'000</i> (Audited) |
|--|--|--|
| Capital expenditure contracted for but not provided for in respect of acquisition of property, plant and equipment | 304,958 | 101,578 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 <i>US\$'000</i> | Level 2 <i>US\$'000</i> | Level 3 <i>US\$'000</i> | Total <i>US\$'000</i> |
|---|----------------------------|----------------------------|----------------------------|--------------------------|
| 30 June 2020 | | | | |
| Copper future contracts (note a) | – | (8,301) | – | (8,301) |
| Trade receivables at FVTPL (note b) | – | 183,436 | – | 183,436 |
| Trade payables designated at FVTPL (note b) | – | (141,550) | – | (141,550) |
| 31 December 2019 | | | | |
| Copper future contracts (note a) | – | (1,431) | – | (1,431) |
| Trade receivables at FVTPL (note b) | – | 162,212 | – | 162,212 |
| Trade payables designated at FVTPL (note b) | – | (116,051) | – | (116,051) |

Notes:

- Calculated based on the initial transaction prices and quoted prices in an active market.
- Calculated based on the quoted prices in an active market and the estimated grades of copper, gold and silver in the Group's copper products.

There were no transfers between Level 1 and 2 during the six months ended 30 June 2020.

Except as detailed above, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

22. RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the People's Republic of China (the "PRC") government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

Other than the transactions and balances with related parties disclosed elsewhere in these condensed consolidated financial statements, during the periods, the Group had the following significant transactions with related parties:

(1) Transactions with government-related entities

(a) Transactions with CNMC and its subsidiaries

| Relationships | Notes | Nature of transactions | Six months ended 30 June | |
|--------------------------|--|--|---------------------------------|---------------------------------|
| | | | 2020 US\$'000 (Unaudited) | 2019 US\$'000 (Unaudited) |
| Fellow subsidiaries | (i) (iii) | Sales of blister copper and copper anodes | 316,273 | 272,700 |
| | (i) (iii) | Sales of copper cathodes | 194,740 | 174,602 |
| | (i) | Sales of sulfuric acid | 30,099 | 14,496 |
| | (i) | Sales of other materials | 7,476 | 200 |
| | (i) | Services income | – | 83 |
| | (i) (ii) | Finance income earned under finance leases | 2 | 11 |
| | (i) | Purchases of plant and equipment | (36,610) | (48,616) |
| | (i) (iv) | Purchases of copper concentrates | (3,173) | (140,823) |
| | (i) | Purchases of materials | (37,846) | (44,298) |
| | (i) | Purchases of electricity | (13,661) | (13,149) |
| | (i) | Purchases of services | (25,978) | (27,334) |
| | (i) | Purchases of freight and transportation | – | (44) |
| | (i) | Interest expenses on borrowings | (3,842) | (2,775) |
| (i) | Interest expenses on lease liabilities | (470) | (158) | |
| (i) | Expenses relating to leases | (2,482) | (2,835) | |
| Ultimate holding company | (i) | Interest expenses on borrowings | (5,950) | (5,922) |
| | (i) | Expenses relating to short-term leases | (61) | (62) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Transactions with government-related entities (Continued)

(a) Transactions with CNMC and its subsidiaries (Continued)

Notes:

- (i) These transactions were conducted in accordance with terms of the relevant agreements.
- (ii) The finance income earned under finance leases arose from the finance leases to a fellow subsidiary.
- (iii) Included in the sales amount of blister copper and copper anodes, losses arising from provisional pricing arrangement are US\$3,769,000 (six months ended 30 June 2019: US\$1,644,000(gains)).

Included in the sales amount of copper cathodes, losses arising from provisional pricing arrangement are US \$4,314,000 (six months ended 30 June 2019: US\$596,000).
- (iv) Included in the purchase amount of copper concentrates, gains arising from provisional pricing arrangement are US\$67,000 (six months ended 30 June 2019: US\$1,743,000).

In addition to the above, the Group also had the following transactions with CNMC and its subsidiaries:

- CNMC provided guarantees to banks for granting unsecured loans to the Group without charging any consideration.
- On 1 July 2009, a subsidiary of the Company, Chambishi Copper Smelter Limited (“CCS”), entered into an agreement with Fifteen MCC Africa Construction & Trade Ltd. (“Fifteen MCC Africa”), a fellow subsidiary, (the “Fifteen MCC Africa Agreement”) pursuant to which that subsidiary agreed to provide certain living quarters to Fifteen MCC Africa on a free of charge basis. Fifteen MCC Africa shall pay for the use of water and electricity and other expenses such as repair and any applicable tax in Zambia. The Fifteen MCC Africa Agreement shall remain for as long as CCS is in existence. As Fifteen MCC Africa provides construction as well as equipment repair and maintenance services to CCS on an ongoing basis, it requires accommodation for its staff based in Zambia.
- On 1 July 2017, CCS entered into a rental agreement with Zambia-China Economic & Trade Cooperation Zone Development Co., Ltd (“ZCCZ”), a fellow subsidiary, (the ZCCZ Agreement”), pursuant to which ZCCZ rented related properties to CCS. During the year ended 31 December 2019, the Group entered into a lease modification agreement for the use of properties with ZCCZ for 4 years. Except for short-term lease and low value leases in which the Group applied recognition exemption, the Group has recognised an addition of right-of-use assets and lease liabilities of US\$19,860,000 and US\$25,403,000 respectively. As at 30 June 2020, the related right-of-use assets and lease liabilities are US\$17,378,000 and US\$23,103,000, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Transactions with government-related entities (Continued)

(b) Transactions with other government-related entities

| Relationships | Notes | Nature of transactions | Six months ended 30 June | |
|--|-----------------|---|---------------------------------|---------------------------------|
| | | | 2020 US\$'000 (Unaudited) | 2019 US\$'000 (Unaudited) |
| Subsidiaries of non-controlling shareholders of subsidiaries | (i) (ii) (i) | Sales of blister copper and copper anodes Sales of copper cathodes | 143,282 4,965 | 224,068 – |

Notes:

- (i) These transactions were conducted in accordance with terms of the relevant agreements.
- (ii) Included in the sales amount of blister copper, losses arising from provisional pricing arrangement are US\$1,101,000 (six months ended 30 June 2019: US\$7,567,000).

In addition to the above, the Group has entered into various transactions, amongst others, including deposit placements, borrowings and other bank facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. In view of the nature of these transactions, the Directors are of the opinion that separate disclosures would not be meaningful.

(2) Transactions with a subsidiary of a non-controlling shareholder of a subsidiary

| Relationships | Note | Nature of transactions | Six months ended 30 June | |
|---|------------|--|---------------------------------|---------------------------------|
| | | | 2020 US\$'000 (Unaudited) | 2019 US\$'000 (Unaudited) |
| Subsidiaries of a non-controlling shareholder of a subsidiary | (i) (i) | Purchases of materials Interest expense on borrowings | (10,787) (603) | (9,758) (580) |

Note:

- (i) These transactions were conducted in accordance with terms of the relevant agreements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(3) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

| | Six months ended 30 June | |
|--------------------------|---------------------------------|---------------------------------|
| | 2020 US\$'000 (Unaudited) | 2019 US\$'000 (Unaudited) |
| Short-term benefits | 729 | 772 |
| Post-employment benefits | 45 | 34 |
| | 774 | 806 |

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.



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