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JINCHUAN金川

JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD

金川集團國際資源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2362)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

RESULTS

The Board is pleased to announce the audited results of the Group for the year ended 31 December 2021 together with the comparative figures in 2020 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
Continuing operations			
Revenue	3	831,899	531,502
Cost of sales		(531,101)	(408,621)
Royalty payment		(49,133)	(36,324)
Gross profit		251,665	86,557
Other income, other gains and losses	5	63,246	21,831
Selling and distribution costs		(22,815)	(23,125)
Administrative expenses		(4,549)	(8,118)
Finance income		728	1,182
Finance costs	6	(9,539)	(14,053)
Profit before tax	7	278,736	64,274
Income tax expense	8	(116,729)	(22,353)
Profit for the year from continuing operations		162,007	41,921
Discontinued operations			
Profit for the year from discontinued operations		438	573

	Note	2021 US\$'000	2020 US\$'000
Profit for the year		<u>162,445</u>	<u>42,494</u>
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		–	2,253
Release of cumulative translation reserves upon liquidation of foreign operation		(438)	–
Fair value gain on hedging instruments designated as cash flow hedges		<u>278</u>	–
Other comprehensive (expense) income for the year		<u>(160)</u>	<u>2,253</u>
Total comprehensive income for the year		<u>162,285</u>	<u>44,747</u>
Profit (loss) for the year attributable to:			
Owners of the Company			
– from continuing operations		120,089	30,030
– from discontinued operations		438	(87)
		<u>120,527</u>	<u>29,943</u>
Non-controlling interests			
– from continuing operations		41,918	11,891
– from discontinued operations		–	660
		<u>41,918</u>	<u>12,551</u>
		<u>162,445</u>	<u>42,494</u>
Total comprehensive income attributable to:			
Owners of the Company			
– from continuing operations		120,367	30,030
– from discontinued operations		–	1,440
		<u>120,367</u>	<u>31,470</u>
Earnings per share	9		
From continuing and discontinued operations			
Basic (US cent)		<u>0.96</u>	<u>0.24</u>
Diluted (US cent)		<u>0.91</u>	<u>0.23</u>
From continuing operations			
Basic (US cent)		<u>0.95</u>	<u>0.24</u>
Diluted (US cent)		<u>0.90</u>	<u>0.23</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
Non-current assets			
Property, plant and equipment		730,028	705,304
Right-of-use assets		2,400	1,325
Mineral rights		582,711	501,145
Exploration and evaluation assets		121,320	119,652
Derivative financial instruments		258	–
Other non-current assets	11	72,506	13,104
		<u>1,509,223</u>	<u>1,340,530</u>
Current assets			
Inventories		233,499	191,417
Trade and other receivables	11	74,346	128,066
Financial assets at fair value through profit or loss ("FVTPL")		2,978	–
Amount due from a related company		–	16
Derivative financial instruments		20	–
Finance lease receivables		2,825	–
Bank deposits with original maturity over three months		17,000	34,476
Bank balances and cash		198,780	73,839
		<u>529,448</u>	<u>427,814</u>
Current liabilities			
Trade and other payables	12	112,159	95,449
Amount due to an intermediate holding company		102,539	131,257
Amount due to a fellow subsidiary		5,234	5,111
Amount due to a non-controlling shareholder of a subsidiary		533	441
Bank borrowings		115,657	30,736
Lease liabilities		778	952
Short-term provisions		6,767	7,173
Tax payable		32,621	7,633
		<u>376,288</u>	<u>278,752</u>
Net current assets		<u>153,160</u>	<u>149,062</u>
Total assets less current liabilities		<u>1,662,383</u>	<u>1,489,592</u>

	<i>Note</i>	2021 US\$'000	2020 US\$'000
Non-current liabilities			
Deferred tax liabilities		325,698	263,076
Bank borrowings		134,000	179,000
Lease liabilities		1,571	366
Long-term provisions		24,155	30,221
		<u>485,424</u>	<u>472,663</u>
Net assets		<u>1,176,959</u>	<u>1,016,929</u>
Capital and reserves			
Share capital	13	16,166	16,166
Perpetual subordinated convertible securities		88,462	88,462
Reserves		908,588	789,838
		<u>1,013,216</u>	<u>894,466</u>
Equity attributable to owners of the Company		1,013,216	894,466
Non-controlling interests		163,743	122,463
		<u>1,176,959</u>	<u>1,016,929</u>
Total equity		<u>1,176,959</u>	<u>1,016,929</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Jinchuan Group International Resources Co. Ltd. (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its ultimate holding company is 金川集團股份有限公司 (Jinchuan Group Co., Ltd*) (“**JCG**”), a state-owned enterprise established in the People’s Republic of China (the “**PRC**”). The addresses of registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is Unit 3101, 31/F, United Centre, 95 Queensway, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are mining operations and trading of mineral and metal products.

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

* *for identification purposes only*

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“**IASB**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concession
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 “Financial Instruments: Disclosures” (“**IFRS 7**”).

As at 1 January 2021, the Group has borrowings with carrying amount of US\$346,104,000 of which interest rates are indexed to London Interbank Offered Rate (“**LIBOR**”), that will be subject to interest rate benchmark reform.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts (including the hedging instruments) has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost.

3. REVENUE

Revenue represents revenue arising from sales of commodities. An analysis of the Group’s revenue from continuing operations for the year is as follows:

	2021 US\$’000	2020 <i>US\$’000</i>
Sales of copper	637,288	382,825
Sales of cobalt	159,790	131,958
Revenue from sales of commodities	797,078	514,783
Provisional pricing adjustment	34,821	16,719
Revenue – reported measure	831,899	531,502

For certain sales of minerals, revenue is recognised initially at a selling price that is determined on a provisional basis. The final selling price is subject to the weight and grades of minerals in the Group’s minerals products and movements in mineral prices up to the date of final pricing, normally 0 to 90 days after the initial booking. The adjustment in respect of the final mineral price is shown as provisional pricing adjustment.

4. SEGMENT INFORMATION

IFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“**CODM**”) in order to allocate resources to the segment and assess its performance.

The CODM has been identified as the executive directors of the Company. They review the Group’s internal reporting for the purpose of resource allocation and assessment of segment performance.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

The Group’s operating and reportable segments are as follows:

- Mining operations
- Trading of mineral and metal products

During the year ended 31 December 2020, the Group discontinued the trading of mineral and metal products operations in the PRC and those results are presented as discontinued operations. The segment information below does not include any amounts for the discontinued operations.

Segment revenue and results

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

For the year ended 31 December 2021

Continuing operations

	Mining operations US\$'000	Trading of mineral and metal products US\$'000	Total US\$'000
Segment revenue			
Revenue	593,932	198,085	792,017
Inter-segment sales	5,061	–	5,061
Provisional pricing adjustment	21,645	13,176	34,821
	<u>620,638</u>	<u>211,261</u>	<u>831,899</u>
Segment results	<u>281,612</u>	<u>359</u>	281,971
Unallocated corporate income			537
Unallocated corporate expenses			<u>(3,772)</u>
Profit before tax from continuing operations			<u>278,736</u>

For the year ended 31 December 2020

Continuing operations

	Mining operations US\$'000	Trading of mineral and metal products US\$'000	Total US\$'000
Segment revenue			
Revenue	482,783	32,000	514,783
Provisional pricing adjustment	<u>14,886</u>	<u>1,833</u>	<u>16,719</u>
	<u>497,669</u>	<u>33,833</u>	<u>531,502</u>
Segment results	<u>66,510</u>	<u>673</u>	67,183
Unallocated corporate income			852
Unallocated corporate expenses			<u>(3,761)</u>
Profit before tax from continuing operations			<u>64,274</u>

Inter-segment sales are charged at prevailing market price.

Note: The accounting policies of operating segments are the same as the Group's accounting policies. Segment revenues and segment results comprise revenue from external customers and profit before tax of each segment (excluding non-operating related finance income, other income, other gains and losses at corporate level and other central administration costs and finance costs), respectively.

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2021 US\$'000	2020 US\$'000
Continuing operations		
Reversal of impairment loss recognised in respect of mineral rights	96,000	27,000
Written off of property, plant and equipment	(10,369)	–
Impairment loss on value-added tax (“VAT”) recoverable	(25,900)	–
Exchange losses, net	(1,075)	(5,705)
Royalty income	2,442	–
Gain on disposal of property, plant and equipment	1,477	–
Others	<u>671</u>	<u>536</u>
	<u>63,246</u>	<u>21,831</u>

Following the increase in copper price, the Group identified this to be indicator for reversal of impairment previously provided. The Group has recognised reversal of impairment on mineral rights amounting to US\$96,000,000 (2020: US\$27,000,000) for the cash generating unit (“CGU”) of Ruashi Mine (“**Ruashi CGU**”) as its recoverable amount is higher than the carrying amount. The recoverable amount of the Ruashi CGU approximately US\$545,678,000 (2020: US\$409,715,000) as at 31 December 2021 was determined based on a value in use calculation. The discounted cash flow method was calculated based on a pre-tax discount rate of 27.3% (2020: 25.6%) and cash flow projection prepared from financial forecasts approved by the directors of the Company covering the expected mine life period until the end of mine life estimated based on proved and probable reserves. The aggregate copper reserves assumed in the projection is approximately 227,000 tonnes (2020: 243,000 tonnes) with an estimated mine life of approximately 7 years (2020: 8 years). The discount rate used reflects current market assessments of the time value of money and the risks specific to the CGU for which the estimates of future cash flows have not been adjusted. Other key assumptions for the calculation related to the estimation of cash inflows/outflows and long-term copper price of US\$7,100 (2020: US\$6,400) per tonne. There are no impairment or reversal of impairment recognised for other CGUs.

6. FINANCE COSTS

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Continuing operations		
Interest on		
Convertible Securities	88	88
Bank borrowings	8,030	9,989
Loan from an intermediate holding company	2,748	3,757
Loan from a fellow subsidiary	123	163
Lease liabilities	55	56
	<u>11,044</u>	<u>14,053</u>
Less: Amount capitalised in the cost of qualifying assets	<u>(1,505)</u>	<u>–</u>
	<u>9,539</u>	<u>14,053</u>

7. PROFIT BEFORE TAX

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Profit before tax from continuing operations has been arrived at after charging:		
Staff costs		
Directors' emoluments	559	617
Other staff costs		
– Salaries and other benefits	47,858	49,166
– Retirement benefits schemes contributions	<u>3,902</u>	<u>1,089</u>
	<u>52,319</u>	<u>50,872</u>
Auditors' remuneration	490	473
Depreciation of property, plant and equipment	67,935	73,360
Depreciation of right-of-use assets	911	925
Amortisation of mineral rights	14,434	15,244
Impairment loss on inventories (included in cost of sales)	<u>5,695</u>	<u>5,395</u>

8. INCOME TAX EXPENSE

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
The tax expense comprises:		
Continuing operations		
Current taxation		
Hong Kong Profits Tax	–	–
Corporate income tax in the DRC	53,781	27,948
Corporate income tax in Zambia	<u>326</u>	<u>134</u>
	54,107	28,082
Deferred taxation	<u>62,622</u>	<u>(5,729)</u>
	<u>116,729</u>	<u>22,353</u>

No provision for Hong Kong Profits Tax has been made as the Group does not have assessable profits arising in Hong Kong for both years.

Corporate income tax in Mauritius, South Africa, Zambia and the DRC are calculated at 15%, 28%, 35% and 30% (2020: 15%, 28%, 30% and 30%) on the estimated assessable profits for the year, respectively. Assessable profits in the DRC may also be subject to Super Profits Tax, when and if applicable.

9. EARNINGS PER SHARE

From continuing operations

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share	120,089	30,030
Add: Interest expense on Convertible Securities	<u>88</u>	<u>88</u>
Earnings for the purpose of diluted earnings per share	<u><u>120,177</u></u>	<u><u>30,118</u></u>
	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	12,609,873,051	12,609,873,051
Effect of dilutive potential ordinary shares: Convertible Securities	<u>690,000,000</u>	<u>690,000,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>13,299,873,051</u></u>	<u><u>13,299,873,051</u></u>

From continuing and discontinued operations

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share	120,527	29,943
Add: Interest expense on Convertible Securities	<u>88</u>	<u>88</u>
Earnings for the purpose of diluted earnings per share	<u><u>120,615</u></u>	<u><u>30,031</u></u>

The denominators used are the same as those set out above for continuing operations.

From discontinued operations

The earnings (loss) per share for discontinued operations is as follows:

	2021 <i>US cent</i>	2020 <i>US cent</i>
Basic	0.01	(0.00)
Diluted	0.01	(0.00)

The calculation of the earnings (loss) per share for discontinued operations is based on:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share	438	(87)

The denominators used are the same as those set out above for continuing operations.

10. DIVIDENDS

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distributions during the year		
2020 Final – HK0.1 cent per share		
(2020: 2019 Final – HK0.1 cent per share)	1,617	1,617

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK0.2 cent per ordinary share, in an aggregate amount of approximately HK\$25,220,000 (2020: HK\$12,610,000), equivalent to approximately US\$3,233,000 (2020: US\$1,617,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

11. TRADE AND OTHER RECEIVABLES

	2021 US\$'000	2020 US\$'000
Non-current assets		
Royalty prepayment to non-controlling shareholders of subsidiaries	11,602	13,013
Rehabilitation trust fund	85	91
VAT recoverable, net of impairment	<u>60,819</u>	<u>–</u>
	<u>72,506</u>	<u>13,104</u>
Current assets		
Financial assets at FVTPL		
Trade receivables under provisional pricing arrangements	<u>49,268</u>	<u>55,245</u>
Financial assets at amortised cost		
Other receivables	7,962	8,354
Loan to a DRC state-owned power company	<u>1,374</u>	<u>–</u>
	<u>9,336</u>	<u>8,354</u>
Non-financial assets		
Other receivables	2,524	2,773
Prepayments	13,218	6,712
VAT recoverable	<u>–</u>	<u>54,982</u>
	<u>15,742</u>	<u>64,467</u>
	<u>74,346</u>	<u>128,066</u>

The Group provided customers with a credit period ranging from 5 days to 30 days (2020: 5 days to 30 days). Before accepting new customers, the Group performs a credit assessment to assess the potential customers' credit limit and credit quality.

As at 31 December 2021, the amounts of trade receivables under provisional pricing arrangements had been adjusted for US\$7,695,000 (2020: US\$5,768,000), being the difference between the average LME commodity prices for the duration up to the date of final pricing and the quoted price on the date of recognition of revenue.

As at 1 January 2020, the trade receivables under provisional pricing adjustments amounted to US\$73,763,000.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The following is an ageing analysis of trade receivables presented based on invoice date at the end of the reporting period.

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Within 3 months	47,655	40,790
4 to 6 months	–	6,668
7 to 12 months	–	4,112
Over 1 year	<u>1,613</u>	<u>3,675</u>
	<u>49,268</u>	<u>55,245</u>

As at 31 December 2021, none of the trade receivables under provisional pricing arrangement (2020: US\$1,683,000) which was past due and was included in financial assets at FVTPL.

12. TRADE AND OTHER PAYABLES

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Financial liabilities at FVTPL		
Trade payables under provisional pricing arrangements	<u>39,577</u>	<u>28,864</u>
Financial liabilities at amortised cost		
Mining expenses payables	9,580	9,312
Construction cost payables	17,715	8,519
Other payables	<u>3,108</u>	<u>637</u>
	<u>30,403</u>	<u>18,468</u>
Non-financial liabilities		
Accrued royalty payment and other tax payable	16,732	32,369
Provision for import duties and export clearing charges	10,091	6,390
Others (<i>Note</i>)	<u>15,356</u>	<u>9,358</u>
	<u>42,179</u>	<u>48,117</u>
	<u>112,159</u>	<u>95,449</u>

*Note:*Included accrual for freight charges, provision for unpaid related surcharge in the DRC and other general operation related payables.

The credit period on purchases of goods ranges from 0 to 90 days.

The following is an ageing analysis of trade payables based on the invoice date at the end of the reporting period.

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Within 3 months	38,127	26,843
4 to 6 months	340	287
7 to 12 months	4	628
Over 1 year	1,106	1,106
	<u>39,577</u>	<u>28,864</u>

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	<u>20,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	<u>12,609,873,051</u>	<u>126,099</u>
Shown in the consolidated financial statements as:		
		Amount US\$'000
At 1 January 2020, 31 December 2020 and 31 December 2021		<u><u>16,166</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

JCI and its subsidiaries are principally engaged in (i) the mining of metals, primarily copper and cobalt, in the DRC and Zambia; and (ii) the trading of mineral and metal products in Hong Kong.

The financial results of the Group show a significant improvement in 2021 which were primarily driven by the higher commodity prices. LME copper price reached an all-time high of US\$10,720 per tonne in May 2021 and closed at US\$9,550 per tonne at the end of December 2021. The Group's results were positively impacted by the higher prices which offset the impact of lower sales volumes. Compared to 2020, the average LME copper price increased by 51% from US\$6,169 per tonne to US\$9,315 per tonne.

Mining Operations

The Group has majority control over two operating mines in Africa which are Ruashi Mine, a copper and cobalt mine located in Lubumbashi, the DRC, and Kinsenda Mine, a copper mine located in Haut Katanga Province, the DRC. The Group also has ownership over a copper mine located in Zambia which has been leased out under finance lease agreement (Chibuluma South Mine including Chifupu Deposit).

In 2021, the Group produced 61,260 tonnes of copper (2020: 72,477 tonnes) and 3,379 tonnes of cobalt (2020: 4,158 tonnes) and sold 57,001 tonnes of copper (2020: 67,843 tonnes) and 2,617 tonnes of cobalt (2020: 5,468 tonnes) which generated revenue of US\$514.0 million and US\$106.6 million respectively (2020: US\$388.1 million and US\$109.5 million respectively).

Copper production was 15% lower in 2021 as compared to 2020. Ruashi Mine's copper production in 2021 of 33,063 tonnes was 2% lower as compared to 2020 of 33,897 tonnes due to lower ore feed grade and lower copper recovery rate. Kinsenda Mine reported lower copper production of 28,197 tonnes which was 8% lower than 2020 of 30,557 tonnes, as the ore grade and feed grade were lower in 2021.

The Group's cobalt production was 19% lower in 2021 as compared to 2020. The lower production was due to lower grade of cobalt ore mined and lower cobalt recoveries.

The Group also has control over Musonoi Project, a copper and cobalt project at development stage, and Lubembe Project, a copper project in exploration stage. Both projects are located in the DRC.

Trading of Mineral and Metal Products

In 2021, the trading division of the Group recorded a turnover of US\$211.3 million (2020: US\$166.9 million) via the trading of commodities, including copper cathode, copper matte and cobalt hydroxide.

FINANCIAL REVIEW

The Group's operating results for the year ended 31 December 2021 are a consolidation of the results from the operating mines in the DRC and Zambia and the trading of mineral and metal products in Hong Kong. The analysis below comprised of both continuing operations and discontinued operations of the Group.

Revenue

The revenue for the Group's operations in 2021 was US\$831.9 million, representing an increase of 25% compared to US\$664.6 million for 2020. Reasons for the increase in revenue during the year are discussed below.

The Group's sales performance from its mining operations and trading of mineral and metal products was as follows:

For the year ended 31 December

	2021	2020
Mining operations:		
Volume of copper sold (tonnes)	57,001	67,843
Volume of cobalt sold (tonnes)	2,617	5,468
Average price realised per tonne of copper (US\$)	9,018	5,721
Average price realised per tonne of cobalt (US\$)	40,738	20,031
Revenue from sales of copper (US\$'000)	514,025	388,140
Revenue from sales of cobalt (US\$'000)	106,613	109,529
Total revenue from mining operations – including provisional pricing adjustment (US\$'000)	620,638	497,669
Trading of mineral and metal products: Revenue – trading of externally sourced mineral and metal products – including provisional pricing adjustment (US\$'000)	211,261	166,893
Total Revenue (US\$'000)	831,899	664,562

Note: Pricing coefficients were considered in actual sales revenue

The average LME copper and MB cobalt prices for the year ended 31 December 2021 were US\$9,315 per tonne (2020: US\$6,169 per tonne) and US\$52,714 per tonne (2020: US\$33,954 per tonne) respectively, representing an increase of 51% and 55% respectively. The increase in benchmark copper and cobalt price in 2021 impacted positively on revenue.

Copper revenue from mining operations in 2021 increased by 32% as compared to 2020. This was due to 58% increase in the average realised copper price in 2021 as compared to 2020 offset by a 16% decrease in volume of copper sold in 2021 as compared to 2020.

In 2021, the Group sold 57,001 tonnes of copper content contained in copper cathode, copper concentrate and copper blister (2020: 67,843 tonnes), of which the copper sales volume of Ruashi Mine in 2021 was 27,930 tonnes, a decrease of 17% from 33,829 tonnes in 2020, and the copper sales volume of Kinsenda Mine in 2021 was 29,071 tonnes, an increase of 12% from 25,885 tonnes in 2020.

The decrease in Ruashi Mine's copper sales was due to the shortage of trucks in the DRC, which led to the delay in transport of finished product out of the mine in November and December of 2021 and has affected the Group's delivery to customers. As at 31 December 2021, Ruashi had 5,242 tonnes of copper cathode inventory on hand, which was estimated to have a market value of approximately US\$52.4 million under current copper price of approximately US\$10,000 per tonne.

Copper price hit multi year low in early 2020. The Group has decided to send copper concentrate produced by Kinsenda Mine to a local smelter for processing into copper blister starting from March 2020. Due to the additional time required for processing copper concentrate to copper blister, no sales were recorded by Kinsenda in March and April 2020. Kinsenda started selling copper blister to international market in May 2020. This resulted in lower than normal sales volume in 2020.

Upon the expiry of the processing agreement of the copper blister, Kinsenda Mine ceased to sell copper blister in June 2021. Kinsenda Mine entered into offtake agreements for exporting copper concentrates and started selling copper concentrates since July 2021.

Chibuluma South Mine (including Chifupu Deposit) sold 8,129 tonnes of copper in 2020 under the Group's operation. Starting from 2021, the operation was leased out under a finance lease agreement. The Group is entitled to fixed lease income and variable royalty income under the finance lease agreement. The lessee produced and sold 3,051 tonnes of copper in 2021 and the Group has recorded a royalty income of approximately US\$2.4 million under the finance lease agreement.

Cobalt revenue from mining operations for 2021 decreased by 3% when compared to 2020 due to the decrease in volume of cobalt sold offset by higher average realised cobalt price. The volume of cobalt sold in 2021 was 2,617 tonnes which was 52% lower as compared to 2020, this was due to lower production level and as a result of transport delays caused by additional testing under COVID-19 and the disruption to Durban Port's operation during July 2021. The average realised cobalt price for 2021 was US\$40,738 per tonne which was 103% higher when compared to US\$20,031 per tonne in 2020.

With the voluntary liquidation of Shanghai Jinchuan Junhe, the Group started another trading business line in mid 2020. The trading of mineral and metal products segment recorded a revenue on trading of externally sourced commodities of US\$211.3 million in 2021 (2020: US\$166.9 million). For details of the voluntary liquidation of Shanghai Jinchuan Junhe, please refer to the "Significant Events" section in the Company's Annual Report 2020. The Group is also studying other trading opportunities in the commodities market.

Cost of Sales

Cost of sales represents the costs associated with the production of copper and cobalt from the Group's mining operations and the purchase cost for the trading of mineral and metal products. The major components of cost of sales are as follows:

For the year ended 31 December

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Mining operations:		
Realisation costs	7,233	17,166
Mining costs	63,517	57,219
Ore purchase	11,497	9,497
Salaries and wages	50,734	49,302
Processing costs	95,841	86,212
Engineering and technical costs	14,245	14,257
Safety, health, environment and community costs	5,130	4,452
Mine administrative expenses	34,452	30,610
Other cost	–	271
Depreciation of property, plant and equipment	67,831	73,177
Depreciation of right-of-use assets	107	97
Amortisation of mineral rights	14,434	15,244
Movement in inventories	<u>(50,132)</u>	<u>17,342</u>
Sub-total	314,889	374,846
Trading of mineral and metal products:		
Purchase of commodities	<u>216,212</u>	<u>166,088</u>
Total Cost of Sales	<u>531,101</u>	<u>540,934</u>

Cost of sales for the Group's mining operations decreased to US\$314.9 million in 2021, representing a decrease of 16% as compared to US\$374.8 million in 2020. The decrease was a result of the commencement of finance lease agreement of Chibuluma South Mine (including Chifupu Deposit). Mining costs increased by 11% as Ruashi Mine increased mining activities to compensate for lower ore feed grade and the lower copper recovery rate. Processing costs were 11% higher in 2021 due to the higher reagent consumption due to acid solubility of the ore. Overall, the Group maintained tight cost control and as part of the mining resulted from in ore development mined in 2021.

During the year ended 31 December 2021, the Group's finished goods inventory increased by 4,259 tonnes of copper and 762 tonnes of cobalt leading to part of production cost in 2021 was capitalised to year end inventory.

Cost of trading of mineral and metal products of US\$216.2 million (2020: US\$166.1 million) represented the cost of commodities purchased by our trading subsidiaries in 2021. The increase was in line with the increase of trading segment's revenue.

Royalty Payment

Royalty payment increased from US\$36.3 million in 2020 to US\$49.1 million in 2021 which was in line with the increase in commodity prices offset by lower sales volume.

Gross Profit

Gross profit of the Group's operations for 2021 has increased by 188% from US\$87.3 million in 2020 to US\$251.7 million in 2021. With copper and cobalt prices surged in 2021, the Group recorded a much improved gross profit ratio of 30% in 2021 as compared to 13% in 2020. Cost in 2021 was under control and maintained at similar level while revenue increased, leading to a much improved gross profit.

Net Finance Costs

Finance costs has decreased by 32% from US\$14.1 million in 2020 to US\$9.5 million in 2021. The Group entered into interest rate swap agreements for bank loans with principal amount of US\$194.0 million in December 2020 to swap the remaining interest payments from floating interest payments to fixed interest payments, aiming to lock down the future interest payment amount. The decrease in finance cost was due to the effective interest rate for 2021 was lower than that in 2020. Also, the Group gradually repaid its bank loans using cashflow from Kinsenda Mine, leading to a decrease in principal outstanding.

For the year ended 31 December

	2021	2020
	US\$'000	US\$'000
Finance income	728	1,287
Finance costs	(9,539)	(14,060)
	<u>(8,811)</u>	<u>(12,773)</u>

Other Income, Other Gains and Losses

The major components of other income, other gains and losses are as follows:

For the year ended 31 December

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Reversal of impairment loss	96,000	27,000
Royalty income under finance lease agreement	2,442	–
Written off of property, plant and equipment	(10,369)	–
Impairment loss on VAT recoverable	(25,900)	–
Exchange losses, net	(1,075)	(5,705)
Gain on disposal of property, plant and equipment	1,477	–
Others	671	536
	<u>63,246</u>	<u>21,831</u>

Reversal of impairment loss

The Group's mining operations recorded a reversal of impairment loss of US\$96.0 million in the year ended 31 December 2021, as compared to the reversal of impairment loss of US\$27.0 million recorded in the year ended 31 December 2020. The Group has reviewed the updated life of mine model of the Group's two operating mines incorporating revised minable reserves and new commodities prices assumption, and has reversed Ruashi Mine's impairment loss recognised in prior years to reflect the changes in assumptions and mineable reserves.

Written off of property, plant and equipment

Part of the Group's property, plant and equipment were replaced by new facilities, therefore the Group has written off property, plant and equipment amounted to US\$10.4 million in 2021.

Impairment loss on VAT recoverable

As a result of continued challenge by relevant government authorities in settling long outstanding VAT claims, an impairment loss of US\$25.9 million (2020: nil) was recognised on VAT recoverable in 2021.

Royalty income under finance lease agreement

The new royalty income of US\$2.4 million (2020: nil) is in respect of the lessee's sales of copper under the lease agreement of Chibuluma South Mine (including Chifupu Deposit).

Gain on disposal of property, plant and equipment

The Group recorded a gain on disposal of Chibuluma's mining assets amounted to US\$1.5 million upon the effective of Chibuluma finance lease agreement.

Selling and Distribution Costs

The costs mainly represent the off-mine costs incurred when the Group sells its copper and cobalt products under the mining operations, and they primarily comprise of transportation expenses and custom clearing expenses. The breakdown of selling and distribution costs is as follows:

For the year ended 31 December

	2021 US\$'000	2020 <i>US\$'000</i>
Off-mine costs:		
Clearing costs of export	18,240	16,756
Transportation	3,917	6,222
Others	658	159
	<hr/>	<hr/>
Total Selling and Distribution Costs	<u>22,815</u>	<u>23,137</u>

Selling and distribution costs decreased slightly by 1.4% from US\$23.1 million in 2020 to US\$22.8 million in 2021.

The decrease in selling and distribution costs was due to the decrease in transportation cost as the sales volume of both copper and cobalt decreased in 2021 while partly offset by the increase in clearing costs as the copper blister previously sold by our DRC operations to refineries in the DRC and now changed to sell and export copper concentrate starting from July 2021.

Administrative Expenses

Administrative expenses in the year included a reversal of US\$6.1 million in rehabilitation provision. The provision amount is an estimate of the cost of rehabilitation work to be carried out at the time of mine closure. The Group has engaged an independent consultant to revisit the Group's rehabilitation plan and a downward revision of the overall rehabilitation estimation was made. This leads to the decrease in administrative expenses by 47% from US\$8.5 million in 2020 to US\$4.5 million in 2021.

Income Tax Expense

The Group is subject to taxes in Hong Kong, the DRC, Zambia and South Africa due to its business operations in these jurisdictions. An income tax expense of US\$116.7 million was derived in the year ended 31 December 2021 as compared to US\$22.5 million in the year ended 31 December 2020. The increase of tax expenses was due to (i) increase in profit before tax in 2021; (ii) provision of US\$3.6 million for the DRC Super Profits Tax triggered by the significant increase in copper price in 2021; and (iii) the recognition of deferred tax expenses in 2021 due to the taxable temporary difference arising from net investment loan.

Profit for the year

As a result of the above, the Group recorded a consolidated profit of US\$162.4 million for the year ended 31 December 2021 as compared to US\$42.5 million for the year ended 31 December 2020.

Profit Attributable to Shareholders

The Group recorded a profit attributable to the shareholders of the Company amounted to US\$120.5 million for the year ended 31 December 2021, as compared to the profit attributable to shareholders of the Company of US\$29.9 million for the year ended 31 December 2020.

The increase of the Group's profit attributable to shareholders of the Company for the year ended 31 December 2021 as compared to 31 December 2020 was mainly due to: (i) the surge of copper and cobalt prices in 2021; (ii) the reversal of impairment loss; and offset by (iii) the impairment loss on VAT recoverable; (iv) written off of property, plant and equipment and (v) the recognition of deferred tax expenses in 2021 due to the taxable temporary difference arising from net investment loan.

Non-IFRS Financial Measure

C1 cash cost

The term “C1 cash cost” is a non-IFRS performance measure included in this “Management Discussion and Analysis” and is prepared on a per tonne of copper sold basis. The term C1 cash cost does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. C1 cash cost is a common performance measure in the copper industry and is prepared and presented herein on a basis consistent with industry standard definitions. C1 cash costs include all mining and processing costs, mine site overheads, realisation costs through to refined metal and off-site costs.

The table below reconciles the Group’s C1 cash costs to the statement of comprehensive income in the financial statements of the Group for the financial periods indicated.

For the year ended 31 December

	2021	2020
	US\$'000	US\$'000
Cash costs as reported in the income statement:		
Direct and indirect mining cost	305,571	292,208
Adjustment for change in copper inventory	<u>(30,876)</u>	<u>(3,099)</u>
C1 cash costs (excluding by-product credit)	274,695	289,109
Less: cobalt (by-product) revenue	(106,613)	(109,529)
Adjustment for change in cobalt inventory	<u>(19,256)</u>	<u>20,441</u>
C1 cash costs (including by-product credit)	<u>148,826</u>	<u>200,021</u>
Copper sold (tonne)	57,001	67,843
C1 cash cost per tonne of copper (excluding by-product credit) (US\$/tonne)	4,819	4,261
C1 cash cost per tonne of copper (including by-product credit) (US\$/tonne)	<u>2,611</u>	<u>2,948</u>

Earnings before interest (net finance costs), income tax, depreciation and amortisation and impairment loss (“EBITDA”)

EBITDA is used by the management to evaluate the financial performance of the Group and identify underlying trends in business that could otherwise be distorted if the impact of items that do not consider indicative of the performance of the business and/or which we do not expect to be recurring are not eliminated. Companies may use different methods of depreciating assets. Management considered the impairment loss and written off of property, plant and equipment and gain on disposal of property, plant and equipment and mining rights, are non-recurring in nature and are not relevant to our core business operations. Management believes that these measures better reflect the Company’s performance for the current period and are a better indication of its expected performance in future periods. EBITDA is intended to provide additional information, but does not have any standardized meaning prescribed by IFRS.

The EBITDA of the Group is derived as follows:

For the year ended 31 December

	2021	2020
	US\$’000	US\$’000
Profit for the year	162,445	42,494
Add: Net finance costs	8,811	12,773
Add: Income tax expense	116,729	22,493
Add: Depreciation of property, plant and equipment	67,935	73,360
Add: Depreciation of right-of-use assets	911	1,063
Add: Amortisation of mineral rights	14,434	15,244
Add: Impairment loss on VAT recoverable	25,900	–
Add: Written off of property, plant and equipment	10,369	–
Less: Reversal of impairment loss recognised in respect of mineral rights	(96,000)	(27,000)
EBITDA	<u>311,534</u>	<u>140,427</u>

The Company believes that in addition to conventional measures prepared in accordance with IFRS, certain investors will use the above tool and related information to evaluate the Company. It is intended to provide additional information and should not be considered in isolation nor as a substitute for measures of performance prepared in accordance with IFRS.

Issue of New Shares

During the year ended 31 December 2021 and 31 December 2020, no new shares have been issued by the Company.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2021, the Group had bank balances and cash (including bank deposits) of US\$215.8 million as compared to US\$108.3 million (including bank deposits) as at 31 December 2020.

As at 31 December 2021, the Group had total bank borrowings of US\$249.7 million (2020: US\$209.7 million) in which the bank borrowings of US\$115.7 million (2020: US\$30.7 million) are due within one year, bank borrowings of US\$104.0 million (2020: US\$179.0 million) are due within 2 to 5 years and bank borrowings of US\$30.0 million due over 5 years (2020: Nil).

In December 2020, the Group entered into interest rate swap agreements with an independent commercial bank to swap the Group's LIBOR denominated bank loans with principal amount of US\$194 million to fixed interest rate for the remaining loan term. As at 31 December 2021, bank loans with principal amount of US\$149.0 million are carrying effective fixed interest rate for the remaining loan term ranging from 2.5% to 3.9% per annum.

As at 31 December 2021, the Group had loans from related companies of US\$108.3 million (2020: US\$136.8 million) which are due within one year.

The gearing ratio of the Group as at 31 December 2021 was 12.1% compared to 23.4% as at 31 December 2020. Gearing ratio is defined as net debt over total equity, and net debt is derived from total borrowings (including amount due to related companies) less bank balances and cash (including bank deposits). The decrease in the gearing ratio was due to the increase of bank balance and cash and repayment of bank loans and loan from related company as at 31 December 2021.

For the year ended 31 December 2021, the Group financed its operations with loan facilities provided by banks, borrowings from related companies and internally generated cash flows.

Material Acquisitions and Disposals of Investments

During the year ended 31 December 2021, there was no material acquisition or disposal of subsidiaries, associates and joint ventures.

SIGNIFICANT EVENTS

Voluntary Liquidation of Shanghai Jinchuan Junhe

On 24 March 2020, written resolutions were passed by all shareholders of Shanghai Jinchuan Junhe to voluntarily liquidate Shanghai Jinchuan Junhe. All the liquidation procedures were completed and Shanghai Jinchuan Junhe was deregistered in the first half of 2021.

Financing for Musonoi Project

On 18 December 2020, Ruashi (as borrower), a non wholly-owned subsidiary of the Company and the owner of the Musonoi Project, entered into a facility agreement (the “**Ruashi Facility Agreement**”) with CDBC Gansu Branch (as lender) in relation to a term loan facility in an amount of US\$350.0 million for financing the development and construction of Musonoi Project. For details of the Ruashi Facility Agreement, please refer to the Company’s announcement dated 18 December 2020. The first tranche of the Ruashi Facility Agreement of US\$100.0 million was drawn in June 2021.

Lease Agreement in respect of Zambia’s Assets

On 28 December 2020, Chibuluma (as lessor), an indirect non wholly-owned subsidiary of the Company, entered into a lease agreement with an independent third party (as lessee) for a 5-year term lease in respect of Chifupu Deposit and the plant and equipment thereof. For details of the lease agreement, please refer to the Company’s announcement dated 28 December 2020. On 1 April 2021, the operating rights of the related mining assets were handed over to the lessee.

Significant Capital Expenditures

During the year ended 31 December 2021, the Group acquired property, plant and equipment amounting to US\$108.0 million (2020: US\$60.5 million) and incurred expenditures on exploration and evaluation assets amounting to US\$1.7 million (2020: US\$2.8 million) for the Group’s mining operations. During the year ended 31 December 2021, the Group recognised additional right-of-use assets amounting to US\$2.0 million (2020: Nil). US\$61.3 million of the capital expenditure incurred in the year ended 31 December 2021 related to the construction cost of Musonoi Project.

Details of Charges on the Group’s Assets

As at 31 December 2021, none of the Group’s assets were pledged or subject to encumbrance to secure general banking facilities granted to the Group.

Details of Contingent Liabilities

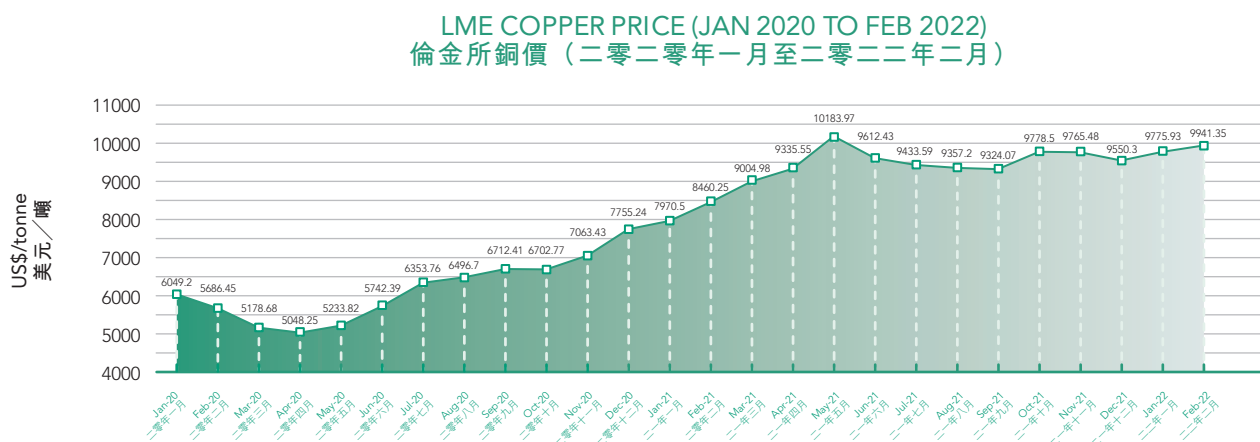
As at 31 December 2021, the Group did not have any significant contingent liabilities.

Foreign Exchange Risk Management

The reporting currency of the Group is US\$ and the functional currencies of subsidiaries of the Group are mainly US\$. The Group is also exposed to currency change in HK\$, ZAR, CDF and ZMW. Given the exchange rate peg between HK\$ and US\$, the Group is not exposed to significant exchange rate risk of HK\$. The Group's significant assets are located in the DRC, Zambia and South Africa and the Group is exposed to fluctuation in CDF, ZMW and ZAR. The Group monitors its exposure to foreign currency exchange risk on an on-going basis.

PROSPECT

Affected by the disruption caused by COVID-19, global mining industry underwent severe challenges in the past two years. Commodities price has been in a roller coaster since the beginning of 2020 and likely to remain volatile in the short-term future.



Copper price is highly susceptible to swings in global policy and economic uncertainty. With the disruption caused by COVID-19 to PRC refinery industry, LME copper price reached a bottom of as low as US\$4,617.5 per tonne in March 2020 with COVID-19 under control in the PRC, copper price has gradually rebounded to a historical high of US\$10,720 per tonne in May 2021. LME copper price closed 2021 at US\$9,692 per tonne by the end of December 2021, representing a gain of 25.2% compared to 31 December 2020 and a gain of 109.9% compared to the lowest point in 2020.

The average LME copper price for the last eight quarters ended 31 March 2020, 30 June 2020, 30 September 2020, 31 December 2020, 31 March 2021, 30 June 2021, 30 September 2021 and 31 December 2021 was (US\$ per tonne) 5,638, 5,341, 6,521, 7,713, 8,479, 9,711, 9,372 and 9,698 respectively, showing a gradual upward trend in global copper market.

Since the start of 2021, there was a series of disruptions caused by ongoing labour issues, community opposition and the outspread of COVID-19 leading to delays of shipments of copper concentrates out of key South American loading ports. LME copper inventory has recorded multi years low in 2021 and inventory dropped to level below 100,000 tonnes in a prolonged period. Treatment and refining charges (TC/RC) paid to smelters for processing ores/concentrates into metal, are at decade-low levels last seen in 2011, where demand for copper from China was rapidly outpacing supply.

Following the release of copper reserves by the PRC Government and the resumption of South American mines operation, LME inventory level returned to level above 200,000 tonnes in July 2021 and copper price was traded mainly in a range between US\$9,000 per tonne to US\$10,000 per tonne since then.

With COVID-19 still causing disruption in the two largest copper producing countries Peru and Chile, and the longer global logistics turnover time caused by additional quarantine requirements, PRC copper smelters are struggling to secure enough concentrates from the world and LME inventories have fallen to historical low level. Meanwhile, Russia produced around 3.5% of global copper production in 2021 according to US Geological Survey (USGS) and any potential disruption to Russia's copper production will also lead to copper price shock. Copper market forecasted to remain tight in the short-term future.

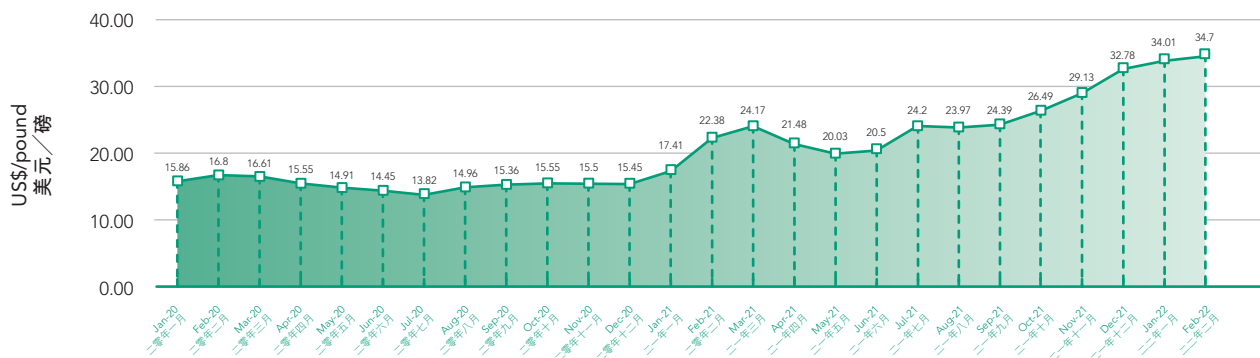
While the precise timing of COVID-19 to be contained is still unknown, copper fundamental factors are still strong and copper price is expected to stay strong after COVID-19 is contained.

With the availability of COVID-19 vaccine, copper, as a critical commodity used in construction and infrastructure, will definitely benefit from the economic recovery. Since September 2020, nations around the globe have initiated the strategic target of carbon neutral. Copper, as the most commonly used conductible material, will be used more frequently in areas including solar, wind, power storage, new energy and distribution with the enhance of carbon neutral era, the demand for copper will further increase.

According to market research, electric vehicle (“EV”) industry worldwide will need 250% more copper in 2030 for charging stations compared to 2019, and each EV consumes quadruple copper as compared to conventional internal combustion engine-powered vehicle, copper will benefit from the modest growth of the electric vehicle industry in the long term.

Bank of America Global Research analysts expect global copper market to return to deficit from 2025 onwards after completion of current projects' construction. With exploration activity relatively limited in recent years, supply increase will be slow from 2025 onwards. Global commodities trader Trafigura sees a significant deficit in the region of ten million tonnes of copper by 2030, and will require building eight projects the size of Escondida, the world's largest copper mine, to close the gap.

MB COBALT PRICE (JAN 2020 TO FEB 2022)
金屬導報鈷價 (二零二零年一月至二零二二年二月)



In the case of cobalt, since retreating by more than 70% from the all-time high of US\$43.7 per pound recorded in April 2018 to US\$12.1 per pound by the end of July 2019, cobalt price has stayed at a relatively low level in 2020, transacting within the range of US\$13.75 per pound to US\$17.0 per pound in 2020. In 2021, cobalt price has gradually rebounded and reached US\$33.5 per pound by the end of December 2021. The increase in cobalt price continued in 2022 and has reached US\$38.7 per pound by mid March 2022.

On supply side of cobalt, according to preliminary data released by US Geological Survey, global cobalt production has increased by 20% from 142,000 tonnes in 2020 to 170,000 tonnes in 2021, in which production from the DRC alone has increased from 98,000 tonnes in 2020 to 120,000 tonnes in 2021. One of the largest cobalt mines in the DRC has suspended operation since August 2019 and the mine has announced that they will be restarting operation from 2022, providing extra supply in cobalt market. Meanwhile, Gécamines SA, DRC state-owned entity, has established a new subsidiary to purchase, process and sell cobalt produced by artisanal miners and small scale miners in the DRC starting from 2022 as part of the DRC Government's measures to implement stricter control to regulate artisanal and illegal cobalt mining in the DRC. Global cobalt supply will be more regulated and will increase gradually to meet the fast growing demand of cobalt.

On demand side, the two main usage of cobalt is for the manufacturing of alloy and industrial chemical and for the manufacturing of batteries. China's EV production in 2021 surged 136% year-on-year to 3.95 million units, accounting for 13.5% of the total auto market in China. China Association of Automobile Manufacturers estimates that EV sales will grow to 5 million units in 2022, accounting for 18% of total domestic auto sales. Globally, Adamas Intelligence estimates that global passenger EV registration jumped 62% in the second half of 2021 to 5.84 million as compared to the same period of 3.6 million in 2020. Major auto makers were launching more EV models in 2021 and Ford estimates that 40% of motor vehicle sold will be EVs by 2030 and Bloomberg estimates that half of motor vehicle sold will be EVs by 2040. Analyst forecasts cobalt demand to expand at a compound annual growth rate of 7% to 2030.

Copper and cobalt market experienced fluctuation in 2020 and 2021 and will continue to be difficult to operate in the near future. The Group will continue to monitor all factors causing market fluctuation and will ensure the Group is able to respond to any market changes in a prepared and timely manner.

The Group's focus in the near future is the construction of the Musonoi copper-cobalt mine in Kolwezi, the DRC. Construction work at Musonoi Project has progressed well in 2021. Also, a resource evaluation drilling campaign is ongoing at Musonoi Project.

Since the Group's business spans different regions and countries, our overseas business is therefore susceptible to the stability of and changes in the local government policies, social and economic environments, and international relations. If there are any material adverse changes in the aforesaid factors, our business, financial condition and operating results may be adversely affected. We endeavour to closely monitor the aforesaid situation and to promptly adjust our strategies in response thereto.

To be a world-class mineral corporation is the ultimate goal of the Group. Apart from the existing operations in Africa, the Group will actively look into the market and seek for investment opportunities which can provide the Group with growth and synergies while strictly comply with the regional regulations in order to give investors and shareholders confidence in supporting the Group.

Also, with the continuous support of JCG and prudent strategic planning of the Board, the Group remains confident that the performance of the Group will overcome the disadvantages and stand out from the crowd under such unfavorable market conditions and create values for the stakeholders of the Company.

More efforts had been put towards new business development, in particular in identifying opportunities at Southern Africa which was close to our existing mines to look for synergy. We will continually, prudently and actively pursue any new business development opportunity.

We will continue to improve quality, efficiency and production. The Company strives to continuously reduce production costs, with its strategy of "Improvement on Cobalt and Maintaining Growth on Copper" to increase production and sales and achieve better profitability.

EMPLOYEES

As at 31 December 2021, the Group had 1,575 (31 December 2020: 1,564) permanent workers and 3,125 (31 December 2020: 2,758) contractor's employees. Employees of the Group receive competitive remuneration packages including salary and medical and other benefits. Key staff may also be entitled to performance bonuses and grant of option shares of the Company.

DIVIDEND

The Directors recommend the payment of a 2021 final dividend of HK0.2 cent per Share (2020: HK0.1 cent per Share), totaling approximately HK\$25,220,000 (2020: approximately HK\$12,610,000). Subject to obtaining the approval at the forthcoming annual general meeting, the final dividend is expected to be paid on or before 29 June 2022.

CORPORATE GOVERNANCE INFORMATION

Audit Committee

The Audit Committee of the Company has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control, financial reporting matters and the continuing connected transactions of the Group for the year ended 31 December 2021. The audited annual results of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), as set out in Appendix 10 to the Listing Rules, as its own code of conduct regarding Directors' dealings in the Company's securities. Following specific enquiry made to all Directors, the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2021.

Corporate Governance Code

During the year ended 31 December 2021, the Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules in force during the year.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

PUBLICATION OF FINANCIAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is available for viewing on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2021 will be dispatched to Shareholders and published on the Stock Exchange and the Company's websites respectively in due course.

GLOSSARY

"Acquisition"	the acquisition by the Company of the entire equity interest in Jin Rui (along with the Metorex Group) in November 2013 pursuant to the sales and purchase agreement dated 27 August 2013, the details of which are set out in the circular of the Company dated 30 August 2013; with a total consideration of US\$1,290,000,000 which was satisfied by the allotment and issue of 1,595,880,000 new ordinary shares of the Company at an issue price of HK\$1 per share and the issue of PSCS of the Company in the aggregate amount of US\$1,085,400,000
"Board"	the board of Directors
"CDBC"	China Development Bank
"CDF"	Congolese Franc, the lawful currency of the DRC
"Company" or "JCI"	Jinchuan Group International Resources Co. Ltd, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2362)
"Chibuluma"	Chibuluma Mines plc, a company incorporated in Zambia and an indirect non wholly-owned subsidiary of the Company
"Chibuluma South Mine"	an underground copper mine owned by Chibuluma situated in Zambia near the town of Kalulushi

“Chifupu Deposit”	an underground copper deposit owned by Chibuluma situated in Zambia which is located approximately 1.7km southwest of Chibuluma South Mine
“COVID-19”	Novel coronavirus pneumonia epidemic
“Directors”	the director(s) of the Company
“DRC”	the Democratic Republic of Congo
“EBITDA”	Earnings before interest (net finance cost), income tax, depreciation and amortisation and impairment loss
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JCG”	金川集團股份有限公司 (Jinchuan Group Co., Ltd*), a state-owned enterprise established in the PRC and the controlling shareholder of Company
“Jin Rui”	Jin Rui Mining Investment Limited, a company incorporated in the Republic of Mauritius and a direct wholly-owned subsidiary of the Company
“Kinsenda”	Kinsenda Copper Company SA, a company incorporated in the DRC and an indirect non wholly-owned subsidiary of the Company
“Kinsenda Mine”	an underground copper mine owned by Kinsenda and situated in Katanga Province in the DRC
“km”	kilometer(s)
“LIBOR”	the London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“LME”	London Metal Exchange, a recognized investment exchange regulated by the Financial Conduct Authority of the United Kingdom and a recognised publisher of reference prices for various metals which are timely published on its designated website (www.lme.com) on a daily basis for metal and investment communities
“Lubembe Project”	a greenfield copper project owned by Kinsenda and situated in the Katanga Province in the DRC
“MB”	Metal Bulletin, a premium intelligence service for metal and steel professionals, being part of the Euromoney Institutional Investor Plc Group of companies and a recognized publisher of reference prices for long-term cobalt trading contracts which are timely published on its designated website (www.metalbulletin.com) on daily basis for subscribed members and publications
“Metorex”	Metorex (Proprietary) Limited, a company incorporated in South Africa and an indirect wholly-owned subsidiary of the Company
“Metorex Group”	Metorex and its subsidiaries (including Chibuluma, Kinsenda and Ruashi), the mining operation arm of the Group
“Musonoi Project”	a brownfield copper and cobalt project owned by Ruashi and situated in north of Kolwezi town, Lualaba Province, the DRC
“PRC”	the People’s Republic of China
“PSCS” or “Convertible Securities”	the perpetual subordinated convertible securities issued by the Company to satisfy part of the purchase price for the Acquisition

“Ruashi”	Ruashi Mining SAS, a company incorporated in the DRC and an indirect non wholly-owned subsidiary of the Company
“Ruashi Holdings”	Ruashi Holdings (Proprietary) Limited, a company incorporated in South Africa and a wholly-owned subsidiary of the Company
“Ruashi Mine”	an opencast oxide copper and cobalt mine owned by Ruashi and situated in the DRC on the outskirts of Lubumbashi, the capital of Katanga Province
“Shanghai Jinchuan Junhe”	上海金川均和經濟發展有限公司 (Shanghai Jinchuan Junhe Economic Development Co., Ltd*), a company incorporated in the PRC and a 60% owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company listed on the Stock Exchange
“Shareholder(s)”	the holder(s) of the Share(s)
“South Africa”	the Republic of South Africa
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“t”	tonne(s)
“US\$”	United States dollars, the lawful currency of the United States of America
“Zambia”	the Republic of Zambia
“ZAR”	South African Rand, the lawful currency of South Africa
“ZMW”	Zambian Kwacha, the lawful currency of Zambia

“%”

percentage

* *For identification purposes only*

By order of the Board
JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD
Wong Hok Bun Mario
Company Secretary

Hong Kong, 28 March 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Gao Tianpeng and Mr. Cheng Yonghong; three non-executive Directors, namely Ms. Cai Juan, Mr. Liu Jian and Mr. Wang Qiangzhong; and three independent non-executive Directors, namely Mr. Yen Yuen Ho, Tony, Mr. Poon Chiu Kwok and Mr. Yu Chi Kit.