
OUR HISTORY AND REORGANIZATION

INTRODUCTION

Our Company was incorporated in Hong Kong on July 18, 2011 in anticipation of the Global Offering.

Our Group is a leading, fast growing and vertically integrated copper producer, focusing on the mining, ore processing, leaching, smelting and sale of copper, based in Zambia. We ventured into the copper mining industry in Zambia in 1998. According to Wood Mackenzie, we were the first Chinese firm to invest in Zambia's copper assets since the privatization of the industry in the late 1990s. We initially focused on the development of Chambishi Copper Mine. In the past 14 years we have developed into a vertically integrated copper producer with mining, ore processing, leaching and smelting operations producing copper concentrate, copper cathode and blister copper. Our business is carried out through our four subsidiaries in Zambia: NFCA, Luanshya, CCS and SML. NFCA and Luanshya operate our mining assets, while CCS operates our copper smelter and SML operates our copper leaching plants.

NFCA owns the Chambishi Copper Mine comprising the Chambishi Main Mine, the Chambishi West Mine and the Chambishi Southeast Mine, as well as the Chambishi Processing Plant.

Luanshya owns the Baluba Center Mine, the Muliashi North Mine, the Baluba Center Processing Plant and the Muliashi Leach Plant.

CCS operates the Chambishi Copper Smelter, which produces blister copper and is the only large-scale overseas copper smelter owned by a PRC enterprise according to the Wood Mackenzie Report.

Our copper leaching operations are carried out through SML. SML operates the Chambishi Leach Plant and the DRC Project which produce copper cathode.

See “Business — Our Operations” for details of our operations.

HISTORY

Establishment of NFCA

Our Group traces its history to 1998 when NFCA was established in March 1998 to hold the Chambishi Copper Mine. The GRZ started privatizing its national economy in 1991 and invited international bids for the Chambishi Copper Mine in 1996. The mine originally commenced production in 1965 (initially as an open-pit mine) and had been operational for 22 years before production was suspended in 1987 due to the lack of profitability. CNMC successfully bid for the Chambishi Copper Mine for US\$20 million. Thereafter, CNMC and ZCCM incorporated NFCA at a shareholding interest of 85% and 15%, respectively, to hold the Chambishi Copper Mine. The GRZ through the Minister of Finance and National Planning holds a special share of US\$1 each in NFCA.

In July 2000, NFCA commenced reconstruction work to resume production in the Chambishi Main Mine with a total investment of approximately US\$157 million. The reconstruction work was completed and the mine was put into production in July 2003. As a follow-up development project, the development of the west orebody commenced in July 2007. The infrastructure construction was completed in July 2007 and the Chambishi West Mine started production in July 2010. In addition, the development of the Chambishi Southeast Mine commenced in December 2010 and is expected to be completed by 2016.

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The copper product produced by NFCA is copper concentrate. Before CCS was established in 2009 to undertake the production of blister copper, NFCA sold its copper concentrate to international trading companies and local copper processing plants in Zambia. Since 2010, CCS has consumed the entire production of NFCA's copper concentrate.

Establishment of SML

Following the resumption of operations at the Chambishi Copper Mine, SML was incorporated in December 2004 by CNMC, NFCA and Hainan Sino-Africa Mining to undertake the leaching of tailings to produce copper cathode. The shareholdings interest of CNMC, NFCA and Hainan Sino-Africa in SML at the time of SML's incorporation was 55%, 15% and 30%, respectively.

SML owns the Chambishi Leach Plant. The construction of the Chambishi Leach Plant started in November 2004 and was completed in June 2006. The plant commenced commercial production of copper cathode in 2006.

SML established two joint venture subsidiaries, namely Huachin and Kakoso Company, in 2010. Huachin was established to undertake the processing and refining of copper oxide, cobalt and other minerals in the DRC while the Kakoso Company was established to explore and develop the tailings resource in Kakoso, Zambia. SML also entered into a joint venture agreement dated March 20, 2012 with Huachin SPRL pursuant to which the parties shall establish a joint venture in the DRC, CNMC-Mabende, to undertake mining, mineral processing and hydrometallurgy operations. As at the Latest Practicable Date, CNMC-Mabende has not been established.

Establishment of CCS

The product offering of our Group was expanded to include blister copper when CCS was established in 2006. CCS was incorporated in July 2006 by CNMC and Yunnan Copper Group at a shareholding interest of 60% and 40%, respectively.

CCS owns the Chambishi Copper Smelter. The construction of the Chambishi Copper Smelter began in 2007 and was completed in 2009. The Chambishi Copper Smelter commenced commercial production of blister copper in 2009. In 2010, we commenced the expansion of the smelter in order to increase its capacity.

Establishment of Luanshya

Luanshya was owned 85% by Enya Holdings BV and 15% by ZCCM-IH before it was acquired by CNMC in 2009. Luanshya operates the Baluba Center Mine and the Muliashi Project.

The Baluba Mine commenced production in 1978, but operations were suspended in 2008 due to the global financial crisis when its then owner petitioned to court for the approval of a scheme of arrangement with its creditors to facilitate a possible sale. CNMC successfully acquired 85% interest in Luanshya from Enya Holdings BV in 2009 for US\$50 million in an international bid. It was agreed between CNMC and ZCCM-IH that CNMC shall transfer 5% of its interest in Luanshya to ZCCM-IH such that their shareholdings proportion in Luanshya shall be 80% and 20%, respectively. The legal transfer of the 5% interest has yet to be completed and CNMC holds such 5% interest in Luanshya on trust for ZCCM-IH. After the acquisition by CNMC the Baluba Center Mine's equipment was upgraded and the mine resumed production in December 2009.

The Muliashi Project is an integrated project for mining and leaching of copper oxide ores comprising the Muliashi North Mine, the Muliashi Leach Plant and the planned Baluba East Mine.

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The Muliashi Leach Plant commenced production in March 2012 and currently processes oxide ore from the Muliashi North Mine. In the future, it will also process ores from the Baluba East Mine, which is expected to commence production in 2017.

The copper product produced by Luanshya is copper concentrate and since 2010 all of such copper concentrate has been sold to CCS for the production of blister copper. Since the completion of the Muliashi Project, Luanshya's product offering also includes copper cathode.

BUSINESS MILESTONES

The following table summarizes various key milestones in the development of our business:

<u>Year</u>	<u>Event</u>
1998	NFCA was incorporated and acquired the Chambishi Copper Mine
2003	NFCA resumed the operation of the Chambishi Main Mine
2004	SML was incorporated
2006	CCS was incorporated
2006	SML commenced commercial production
2008	SML was granted the status of enterprises within the Zambia-China Economic & Trade Cooperation Zone
2009	CNMC acquired Luanshya and changed its name to CNMC Luanshya Copper Mines PLC
2009	CCS commenced commercial production
2009	Luanshya resumed the operation of the Baluba Center Mine
2010	Luanshya commenced construction of the Muliashi Project
2010	CCS commenced the expansion of the Chambishi Copper Smelter
2010	NFCA commenced commercial production of the Chambishi West Mine
2010	SML established a joint venture, Huachin, in the DRC with Huachin SPRL to undertake the processing and refining of copper oxide, cobalt and other minerals
2010	SML established a joint venture, the Kakoso Company, in Zambia with Shenzen Resources Limited to explore the tailings deposit in Kakoso, Zambia
2010	SML started collaboration with Chinese research institutions for research and development of bioleaching technology
2011	SML completed the construction of the SML Chambishi Processing Plant
2012	Huachin completed the construction of the DRC Project and commenced production in February 2012
2012	Muliashi Project commenced production

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SHAREHOLDING HISTORY OF OUR ZAMBIAN SUBSIDIARIES

We operate our business mainly through four subsidiaries in Zambia, namely NFCA, Luanshya, CCS and SML.

NFCA

NFCA was our first operating subsidiary in Zambia and was incorporated on March 5, 1998. The initial authorized and issued share capital of NFCA was US\$1,001 divided into 1,000 ordinary shares of US\$1 each and a special share of US\$1 each. CNMC and ZCCM held 850 and 150, respectively, ordinary shares of US\$1 each in NFCA while the GRZ through the Minister of Finance and National Planning held one special share of US\$1 each.

In May 2000, NFCA increased its authorized share capital to US\$33,000,001, divided into 33,000,001 shares of US\$1 each of which 9,000,001 shares were issued. The change in share capital structure stemmed from the shareholders' decision to convert 30% of the total investment of US\$110 million made by CNMC at that time into share capital. Following the increase in authorized share capital, CNMC's stake in NFCA was increased to 7,650,000 ordinary shares of US\$1 each, and ZCCM's stake in NFCA was increased to 1,350,000 ordinary shares of US\$1 each. The GRZ through the Minister of Finance and National Planning held one special share of US\$1 each.

The total investment made by CNMC in the Chambishi Main Mine and the Chambishi West Mine was US\$157.25 million and US\$126.39 million, respectively. NFCA is currently developing the Chambishi Southeast Mine.

Pursuant to a series of share swaps in November 2011, the details of which are more fully set out under the paragraph “— Reorganization” below, we acquired 7,650,000 ordinary shares of US\$1 each in NFCA from CNMC.

Currently, the issued share capital of NFCA is US\$9,000,001, of which we hold 7,650,000 ordinary shares of US\$1 each, representing 85% of the issued share capital of NFCA. ZCCM-IH holds 1,350,000 ordinary shares of US\$1 each, representing 15% of the issued share capital of NFCA while the GRZ through the Minister of Finance and National Planning holds a special share of US\$1 each. Please refer to the paragraph headed “— Our Joint Venture Arrangements — Joint Venture Partners and Shareholders' Agreement — ZCCM-IH” for more information about ZCCM-IH and the shareholders' agreement in relation to NFCA.

Luanshya

Luanshya was initially incorporated as a private company limited by shares under the name Luanshya Copper Mines Limited and was converted to a public company in December 2003. Luanshya was acquired by CNMC on June 23, 2009 when CNMC acquired 8,500,000 ordinary shares of US\$1 each in Luanshya for US\$50 million from Enya Holdings BV. The other shareholders of Luanshya at that time were ZCCM-IH and the GRZ as represented by the Minister of Finance and National Planning. ZCCM-IH held another 1,500,000 ordinary shares of US\$1 each in Luanshya while the GRZ held a special share of US\$1 each in Luanshya.

Pursuant to the Agreement Relating to Investments and Concessions for the Luanshya Copper Mines Plc dated July 13, 2009, the shareholdings proportion between CNMC and ZCCM-IH shall be 80% and 20%, respectively. The 20% interest in Luanshya to be held by ZCCM-IH consists of a 5% interest to be transferred from CNMC to ZCCM-IH. The legal transfer in respect of the 5% interest

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has yet to be completed and CNMC holds 500,000 ordinary shares of US\$1 each, representing 5% interest in Luanshya, on trust for ZCCM-IH pursuant to a declaration of trust settled in favor of ZCCM-IH.

Pursuant to a series of share swaps in November 2011, the details of which are more fully set out under the paragraph “— Reorganization” below, we acquired 8,000,000 ordinary shares of US\$1 each in Luanshya from CNMC.

Currently, the issued share capital of Luanshya is US\$10,000,001, of which we hold 8,000,000 ordinary shares of US\$1 each, representing 80% of the issued share capital of Luanshya. CNMC holds another 500,000 ordinary shares of US\$1 each, representing 5% interest in Luanshya, on trust for ZCCM-IH. ZCCM-IH holds 1,500,000 ordinary shares of US\$1 each, representing 15% of the issued share capital of Luanshya, while the GRZ holds a special share of US\$1 each in Luanshya. Please refer to the paragraph headed “— Our Joint Venture Arrangements — Joint Venture Partners and Shareholders’ Agreement — ZCCM-IH” for more information about ZCCM-IH and the shareholders’ agreement in relation to Luanshya.

CCS

CCS was incorporated by CNMC and Yunnan Copper Group on July 19, 2006. At incorporation, CNMC held 600 ordinary shares of US\$2 each in CCS while Yunnan Copper Group held the other 400 ordinary shares of US\$2 each in CCS. The total investment in CCS was approximately US\$300 million, of which approximately US\$180 million was contributed by CNMC while approximately US\$120 million was contributed by Yunnan Copper Group.

Pursuant to a series of share swaps in November 2011, the details of which are more fully set out under the paragraph “— Reorganization” below, we acquired 600 ordinary shares of US\$2 each in CCS from CNMC.

Currently, the issued share capital of CCS is US\$2,000, of which we hold 600 ordinary shares of US\$2 each, representing 60% of the issued share capital of CCS, while Yunnan Copper Group holds 400 ordinary shares of US\$2 each, representing 40% of the issued share capital of CCS. Please refer to the paragraph headed “— Our Joint Venture Arrangements — Joint Venture Partners and Shareholders’ Agreement — Yunnan Copper Group” for more information about Yunnan Copper Group and the shareholders’ agreement in relation to CCS.

SML

SML was incorporated by CNMC, NFCA and Hainan Sino-Africa Mining on December 3, 2004. At incorporation, CNMC, NFCA and Hainan Sino-Africa Mining held 550, 150 and 300 ordinary shares of US\$1 each, respectively, in the issued share capital of SML. The total investment in SML was approximately US\$13.36 million, of which US\$2.52 million and US\$1.08 million was contributed by CNMC and Hainan Sino-Africa Mining, respectively, and the balance was financed by bank loans. NFCA’s investment in SML was an asset contribution of its tailings resources.

Pursuant to a series of share swaps in November 2011, the details of which are more fully set out under the paragraph “— Reorganization” below, we acquired 550 ordinary shares of US\$1 each in SML from CNMC directly.

Currently, the issued share capital of SML is US\$1,000, of which we hold 550 ordinary shares of US\$1 each, representing 55% of the issued share capital of SML. NFCA and Hainan Sino-Africa Mining each holds 15% and 30% interest, respectively, in the issued share capital of SML. Please

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refer to the paragraph headed “— Our Joint Venture Arrangements — Joint Venture Partners and Shareholders’ Agreement — Hainan Sino-Africa Mining” for more information about Hainan Sino-Africa Mining and the shareholders’ agreement in relation to SML.

In May 2010, SML entered into a shareholders’ agreement with Shenzhen Resources Limited to establish Kakoso Company and to explore and develop the tailing deposit in Kakoso, Zambia. Please refer to the paragraph headed “— Our Joint Venture Arrangements — Joint Venture Partners and Shareholders’ Agreement — Shenzhen Resources Limited” for more information about Shenzhen Resources Limited and the shareholders’ agreement in relation to Kakoso Company.

SML established Huachin, a joint venture in the DRC with Huachin SPRL in December 2010, to jointly process and leach copper oxide ore, cobalt oxide ore and other mineral resources. SML holds 62.5% and Huachin SPRL holds the remaining 37.5% interest in Huachin. Please refer to the paragraph headed “— Our Joint Venture Arrangements — Joint Venture Partners and Shareholders’ Agreement — Huachin SPRL” for more information about Huachin SPRL and the shareholders’ agreement in relation to Huachin.

SML entered into a joint venture agreement dated March 20, 2012 with Huachin SPRL pursuant to which the parties shall establish a joint venture in the DRC, CNMC-Mabende, to undertake mining, mineral processing and hydrometallurgy operations. As at the Latest Practicable Date, CNMC-Mabende has not been established. Please refer to the paragraph headed “— Our Joint Venture Arrangements — Joint Venture Partners and Shareholders’ Agreement — Huachin SPRL” for more information about Huachin SPRL and the shareholders’ agreement in relation to CNMC-Mabende.

OUR JOINT VENTURE ARRANGEMENTS

Our joint venture partners include ZCCM-IH, Yunnan Copper Group, Hainan Sino-Africa Mining, Huachin SPRL, and Shenzhen Resources Limited. Please refer to the paragraph headed “— Shareholding History of our Zambian Subsidiaries” above for information relating to the shareholding interests of these joint venture partners in our subsidiaries. Save for their respective shareholdings in our subsidiaries, our joint venture partners are Independent Third Parties.

Joint Venture Partners and Shareholders’ Agreements

Set out below is a brief description of our joint venture partners and the major terms of the relevant shareholders agreements.

- **ZCCM-IH**

ZCCM-IH is an investment holdings company quoted on the Lusaka, London and Euronext stock exchanges and has the majority of its investments held in the copper mining sector of Zambia. Its shareholders are the GRZ with 87.6% shareholding and private equity holders with 12.4% shareholding. ZCCM-IH is a successor company to ZCCM.

NFCA shareholders’ agreement

The major terms of the shareholders agreement dated March 1998 among CNMC, ZCCM and NFCA are, *inter alia*, as follows:

- (a) CNMC and ZCCM are the beneficial owners of 850 shares and 150 shares of NFCA, respectively; the GRZ through the Minister of Finance and National Planning holds a “special share”;

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- (b) the board shall comprise no more than 11 directors with each shareholder having the right to appoint, remove or replace one director for each 10% of the then issued shares; the special shareholder has the exclusive right to appoint, remove and replace one director; and
- (c) without the prior written approval of directors representing the interests of shareholders of 86% of the shares, NFCA cannot: (i) reduce the authorized or issued share capital or consolidate, subdivide, purchase, redeem or cancel any of such share capital or alter any rights pertaining to any share or class of shares in such capital or capitalize, or pay or otherwise distribute, any amount standing to the credit of any reserve of NFCA or otherwise reorganize the share capital; (ii) issue any share or security other than the issued ordinary shares in the capital of NFCA; (iii) take or permit the taking of any step to have NFCA voluntarily wound up; (iv) make any material change in the nature of the business; (v) consolidate, merge or amalgamate with any other person; (vi) acquire any subsidiary or otherwise acquire (whether by a single transaction or a series of related transactions) any shares, securities or other interests in any company or business where in each case, the cost of such acquisition exceeds US\$10 million, other than acquisitions or investments required to rehabilitate, develop or expand the mine and associated treatment and infrastructure facilities at Chambishi Copper Mine; (vii) make any loan or advance or extend credit out of the normal course of business; (viii) give any guarantee or indemnity or create any encumbrance over all or any of the undertaking, property, assets or uncalled share capital of NFCA save for the purposes of financing the rehabilitation, development or expansion of the business; or (ix) sell, transfer, lease, assign or otherwise dispose of the relevant mining licenses alone or in aggregate with any other disposal, or a material part of the undertaking, property and/or assets of NFCA (other than in the ordinary course of business).

Pursuant to the terms of the shareholders agreement in respect of NFCA, our subsidiary, CNMH, executed a deed of adherence dated December 2, 2011 and acceded to the terms of such shareholders agreement.

Luanshya shareholders' agreement

The major terms of the shareholders agreement dated July 2009 among CNMC, ZCCM-IH, the GRZ represented by the Minister of Finance and National Planning and Luanshya are, *inter alia*, as follows:

- (a) CNMC and ZCCM-IH would be the registered owner of 80% and 20%, respectively of the issued ordinary shares of Luanshya. The GRZ is the legal and beneficial owner of one special share;
- (b) the 20% ZCCM-IH shareholding includes 5% shares which shall be acquired and allotted by Luanshya to ZCCM-IH free of any obligations and encumbrances. Before ZCCM-IH acquires the 5% shares in Luanshya, neither its entitlement to dividends nor the ability of Luanshya to pay dividends shall be affected; ZCCM-IH shall not be required to contribute towards the investment commitment in Luanshya but shall have the full rights to any distributions that may be made to shareholders from time to time; ZCCM-IH has not assumed any liabilities of the company whatsoever pursuant to or subsequent to CNMC's acquiring of its interest in Luanshya;
- (c) the board shall comprise no more than ten directors, with CNMC, ZCCM-IH and the GRZ having the right to appoint seven, two and one directors, respectively; and
- (d) Luanshya cannot, without the prior written consent of each of the directors appointed by ZCCM-IH: (i) issue any shares or create or grant any rights or options entitling the holders

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thereof to acquire shares or reduce the share capital of Luanshya; (ii) sell, lease, assign or otherwise dispose of all or a substantial part of the undertaking, property, inventory, work in progress and/or assets of Luanshya (or any interest therein) or contract so to do, other than in the normal course of the business or by way of or pursuant to a mortgage or charge (provided that 30 days' notice has been provided to the directors by the mortgagee or chargee of its intention to exercise its right to sell); (iii) make payment of any dividends to the shareholders; or (iv) take any action or procure, facilitate or assist any person to take any action, relating to any acquisition by or issue to a third party of shares including by way of general offer for shares or scheme of arrangement or to the joint venturing of any of Luanshya's operations with a third party or the sale, transfer or disposal of all or a substantial part of the business or assets of Luanshya to a third party.

The shareholders agreement in respect of Luanshya provides that ZCCM-IH shall be the owner of 20% interest of the issued share capital of Luanshya. Currently, ZCCM-IH holds 15% interest in the issued share capital of Luanshya. CNMC holds another 5% interest in Luanshya on trust for ZCCM-IH. The 15% interest in Luanshya held by ZCCM-IH has been fully paid. ZCCM-IH is not required to pay any consideration for the additional 5% interest in Luanshya upon transfer of the 5% interest by CNMC to ZCCM-IH. Pursuant to the terms of the shareholders agreement in respect of Luanshya, our subsidiary, CNMH, executed a deed of adherence dated December 2, 2011 and acceded to the terms of such shareholders agreement.

- **Yunnan Copper Group**

Yunnan Copper Group is the parent company of Yunnan Copper, a company listed on the Shenzhen Stock Exchange (SZSE 000878) and the third largest copper producer in the PRC. Yunnan Copper Group is a subsidiary of Aluminum Corporation of China (中國鋁業公司), the parent company of Aluminum Corporation of China Limited (中國鋁業股份有限公司), a company listed on the Hong Kong Stock Exchange (SEHK 2600).

CCS shareholders' agreement

The major terms of the shareholders agreement dated June 2, 2006 between CNMC and Yunnan Copper Group in relation to CCS are, *inter alia*, as follows:

- (a) CNMC and Yunnan Copper Group hold 60% and 40% of the equity interest of CCS, respectively;
- (b) CNMC and Yunnan Copper Group undertake the responsibilities to provide financing or guarantee in relation to any loans obtained by CCS from third parties based on the proportion of investment; if any party is unable or unwilling to do so, it shall pledge shares of CCS held by it to the other party;
- (c) all blister copper shall be sold to Yunnan Copper Group while side products produced by CCS shall be sold by CCS;
- (d) the board of CCS shall comprise five members, with three to be appointed by CNMC (including the chairman) and two to be appointed by Yunnan Copper Group;
- (e) responsibilities of CNMC include: (i) obtaining approvals and business licenses and completing registration in Zambia and China; (ii) obtaining land use rights from relevant authorities; (iii) arranging the design and construction of workshops and other facilities; (iv) construction of

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infrastructures such as water, power and transportation facilities; (v) applying for tariff and tax reduction and exemption and other preferential treatment that CCS is entitled to; and (vi) arranging visa and work permit application for Chinese staff; and

- (f) responsibilities of Yunnan Copper Group include: (i) making the equipment procurement plan; (ii) recommending technicians and management members; (iii) providing technology and management support for the construction of copper smelter project; and (iv) providing technical trainings for employees.

While it was provided in the CCS shareholders' agreement that all blister copper produced by CCS shall be sold to the Yunnan Copper Group, at the request of Yunnan Copper Group in a letter dated November 11, 2008, CCS was not obliged to sell all the blister copper it produced to Yunnan Copper Group after it commenced production of blister copper in 2009. The sales arrangement between CCS and Yunnan Copper Group in 2009 and 2010 was that Yunnan Copper Group would place individual orders for blister copper with the Retained Group, the Retained Group would purchase such blister copper from CCS which it would then sell to Yunnan Copper Group. Pursuant to a shareholders' resolution of CCS dated March 13, 2011, CCS was required to sell 40% of its blister copper produced after the first quarter of 2011 to Yunnan Copper Group, directly. Upon further discussion with Yunnan Copper Group, it was subsequently provided in the Yunnan Copper Supply Framework Agreement, the details of which are set out in the "Connected Transactions" section of this prospectus, that we shall sell 40% of the balance of copper products produced by CCS that is not sold to Independent Third Parties to Yunnan Copper Group. Please refer to "Relationship with Our Controlling Shareholder — Independence from the Retained Group — Customer Independence — Sales to Yunnan Copper Group" and "Connected Transactions — Non-exempt Continuing Connected Transactions — 2. Yunnan Copper Supply Framework Agreement" for more information.

- **Hainan Sino-Africa Mining**

Hainan Sino-Africa Mining is a company that focuses on investment in nonferrous metal resources. It was established in 2004 by a group of individuals who are Independent Third Parties.

SML shareholders' agreement

The major terms of the shareholders agreement dated February 2005 among CNMC, NFCA and Hainan Sino-Africa Mining in relation to SML are, *inter alia*, as follows:

- (a) CNMC, Hainan Sino-Africa Mining and NFCA shall hold 55%, 30% and 15% equity interest of SML, respectively;
- (b) the board shall comprise seven directors, with CNMC and Hainan Sino-Africa Mining each having the right to appoint three directors while NFCA shall have the right to appoint one director;
- (c) any subsequent increase in registered capital and shareholder loans (if necessary) shall be allocated proportionately between CNMC and Hainan Sino-Africa Mining; and
- (d) NFCA shall be responsible for relevant land leasing and power and water supply arrangement.

- **Huachin SPRL**

Huachin SPRL is a limited liability company incorporated in the DRC by Mr. Ng Siu Kam, an individual who is an Independent Third Party save for his connection to our Group as disclosed in

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this prospectus. Huachin SPRL holds a small copper smelting plant and various mines in the DRC, such as Shamitunba.

Huachin's shareholders' agreement

The major terms of the shareholders' agreement dated September 9, 2010 between SML and Huachin SPRL in relation to Huachin are as follows:

- (a) SML and Huachin SPRL hold 62.5% and 37.5% equity interest of Huachin, respectively;
- (b) SML is responsible for financing the project through shareholder loans for an amount not exceeding US\$22 million; Huachin SPRL shall issue a notarized commitment to explicitly declare that all of its credits and debts shall have nothing to do with the joint venture and guarantees the sufficient supply of oxide ore of the joint venture; and
- (c) the board shall comprise seven directors, with four to be appointed by SML (including the chairman) and three to be appointed by Huachin SPRL.

CNMC-Mabende Metal Leach SPRL's shareholders' agreement

SML entered into a joint venture agreement with Huachin SPRL dated March 20, 2012 in relation to the establishment of CNMC-Mabende. As at the Latest Practicable Date, CNMC-Mabende is yet to be established. The major terms of the shareholders' agreement between SML and Huachin SPRL in relation to CNMC-Mabende are as follows:

- (a) SML and Huachin SPRL shall contribute US\$6,000 and US\$4,000 in cash, respectively, towards the capital of the joint venture and shall hold 60% and 40% equity interest of the joint venture, respectively;
- (b) each shareholder shall contribute towards the capital of the joint venture in accordance with its shareholdings proportion. The financing of the joint venture's project shall be by way of shareholders' loans provided by SML or such other financing methods as may be agreed by the shareholders;
- (c) transfer of shares by any shareholder is subject to pre-emptive rights of the other shareholder;
- (d) major resolutions such as amendment of articles of association, increase or decrease of capital, merger, division, dissolution and liquidation of the joint venture shall be approved by more than two-thirds of the shareholders with voting rights. Other resolutions shall be approved by more than half of the shareholders with voting rights;
- (e) the board shall comprise seven board directors, with four to be appointed by SML (including the chairman) and three to be appointed by Huachin SPRL;
- (f) quorum for board meeting shall be over two-thirds of the directors. Every director shall have one vote. The resolutions of the board shall be approved by over two-thirds of the total number of directors;
- (g) Huachin SPRL shall supply all ores in the Mabende mine to CNMC-Mabende and shall not supply the ore to any third party unless permitted by the shareholders' agreement or with the express written permission from SML. If Huachin SPRL sells any such ore to other parties, all

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the proceeds from the sale shall be paid to SML as compensation. In the event that the construction of CNMC-Mabende is not completed within three years after the signing of the shareholders' agreement, Huachin SPRL shall have the right to supply ore not exceeding 1,500 tons of copper metal in the form of concentrate per month to third parties until the construction of CNMC-Mabende is completed and put into production; and

- (h) Huachin SPRL shall, at the expiry of the mining outsourcing contract involving the Mabende mine, transfer the resources of the mine (including but not limited to the surface right and mining right) to CNMC-Mabende according to valuation conducted by independent organization appointed by both shareholders.

- **Shenzen Resources Limited**

Kakoso Company is 88% held by SML while the remaining 12% is held by Shenzen Resources Limited. Shenzen Resources Limited is a limited liability company incorporated in Zambia by an individual who is an Independent Third Party. Shenzen Resources Limited was the original holder of the tailings under the Kakoso Tailings Development Project.

Kakoso Company's shareholders' agreement

The major terms of the shareholders agreement dated May 21, 2010 between SML and Shenzen Resources Limited in relation to Kakoso Company are as follows:

- (a) SML and Shenzen Resources Limited shall hold 88% and 12% equity interest of Kakoso Company, respectively;
- (b) SML shall start the project construction and make investment in time; Shenzen Resources Limited shall begin to transfer the mineral processing license of the Kakoso Tailing Dam in Chililabombwe to the joint venture within 15 days after the registration of the joint venture and be responsible for obtaining the consents from Konkola Copper Mines Plc, the water rights from the government, the power supply quotation and agreement to the plant and the title deed of the land; and
- (c) the board shall comprise seven members, with five to be appointed by SML (including the chairman) and two to be appointed by Shenzen Resources Limited.

Special Share

A "special share" is a share with special rights that enables the GRZ, in the national interest, to intervene in the operations of a company where specific actions are undertaken by the company.

As advised by our Zambian legal adviser, the concept of a "special share" has been recognized in Zambian jurisprudence for the past eighteen years and was enshrined in the repealed Privatization Act and retained in the Zambia Development Act (the "ZDA Act"). The ZDA Act gives the Minister of Finance and National Planning the authority to retain a share in a state owned enterprise which is privatized and convert such share into a "special share".

The Chambishi Copper Mine and the Luanshya Mine were assets held by companies that were sold following the privatization of the mining conglomerate ZCCM in the 1990s. It is therefore common practice for the GRZ to retain such a "special share" in the former ZCCM companies.

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The “special share” is contained in the articles of association of both Luanshya and NFCA. The “special share” in both instances can only be held by and transferred to the Minister responsible for finance or any other Minister or other person acting on behalf of the GRZ. However, the consent of CNMC is required to transfer the “special share” to anyone other than the Minister of Finance and such consent cannot be unreasonably withheld. The “special share” gives the GRZ the right of decisive vote in relation to certain matters. As set out in the articles of association of NFCA, there is a requirement to obtain the prior written consent of the Minister of Finance in the following circumstances:

- (a) the amendment, removal or alteration of certain terms in the articles of association;
- (b) to effect the taking of any step to have the company voluntary winding up;
- (c) on a change of control;
- (d) for any material change in the nature of business; and
- (e) the sale, transfer, assignment, lease or disposal of a significant portion of its undertaking, property and/or assets.

In the articles of association of Luanshya, there is a requirement to obtain the prior written consent of the Minister of Finance in the following circumstances:

- (a) the amendment, removal or alteration of certain terms in the articles of association;
- (b) to effect the taking of any step to have the company voluntary winding up; and
- (c) for any material change in the nature of business.

In addition, the change of locus of incorporation of NFCA and Luanshya is subject to the GRZ’s affirmative vote as well.

Control over our subsidiaries

While some of the joint venture partners of our subsidiaries may exercise veto rights and block actions that we believe to be in our or the joint venture’s best interests and as a result may have a material adverse impact on the Group, our Directors consider such veto rights represent only protective rights and do not have any impact on our ability to exercise control over the financial policies (which pertain to decision on capital expenditures, budget approvals, credit terms, issue of debt, cash management and accounting policies) and operating policies (which pertain to activities such as sales, marketing, manufacturing and human resources) of the relevant subsidiaries.

For example, according to the articles of association and shareholders’ agreement of NFCA, without the prior written approval of directors representing the interests of shareholders of 86% of the shares, NFCA cannot: (i) reduce the authorized or issued share capital or consolidate, subdivide, purchase, redeem or cancel any of such share capital or alter any rights pertaining to any share or class of shares in such capital or capitalize, or pay or otherwise distribute, any amount standing to the credit of any reserve of NFCA or otherwise reorganize the share capital; (ii) issue any share or security other than the issued ordinary shares in the capital of NFCA; (iii) take or permit the taking of any step to have NFCA voluntarily wound up; (iv) make any material change in the nature of the business; (v) consolidate, merge or amalgamate with any other person; (vi) acquire any subsidiary or

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otherwise acquire (whether by a single transaction or a series of related transactions) any shares, securities or other interests in any company or business where in each case, the cost of such acquisition exceeds US\$10 million, other than acquisitions or investments required to rehabilitate, develop or expand the mine and associated treatment and infrastructure facilities at Chambishi Copper Mine; (vii) make any loan or advance or extend credit out of the normal course of business; (viii) give any guarantee or indemnity or create any encumbrance over all or any of the undertaking, property, assets or uncalled share capital of NFCA save for the purposes of financing the rehabilitation, development or expansion of the business; or (ix) sell, transfer, lease, assign or otherwise dispose of the relevant mining licenses alone or in aggregate with any other disposal, or a material part of the undertaking, property and/or assets of NFCA (other than in the ordinary course of business).

According to the shareholders' agreement of Luanshya, Luanshya cannot, without the prior written consent of each of the directors appointed by ZCCM-IH, its minority shareholder: (i) issue any shares or create or grant any rights or options entitling the holders thereof to acquire shares or reduce the share capital of Luanshya; (ii) sell, lease, assign or otherwise dispose of all or a substantial part of the undertaking, property, inventory, work in progress and/or assets of Luanshya (or any interest therein) or contract so to do, other than in the normal course of the business or by way of or pursuant to a mortgage or charge (provided that 30 days' notice has been provided to the directors by the mortgagee or chargee of its intention to exercise its right to sell); (iii) make payment of any dividends to the shareholders; or (iv) take any action or procure, facilitate or assist any person to take any action, relating to any acquisition by or issue to a third party of shares including by way of general offer for shares or scheme of arrangement or to the joint venturing of any of Luanshya's operations with a third party or the sale, transfer or disposal of all or a substantial part of the business or assets of Luanshya to a third party.

Further, SML's subsidiary, Huachin's financial and operating policies are governed by its shareholders' meeting (the highest authority) and all resolutions require simple majority voting according to its articles of association and shareholders' agreement, except for the following resolutions requiring two-third of voting in its shareholders' meeting: (i) amendment of articles of association; (ii) increase or decrease of capital; and (iii) merger, division and liquidation of the company.

The articles of association of both NFCA and Luanshya also provide that the written consent of the GRZ is required in relation to (i) the amendment, removal or alteration of certain terms in the articles of association; (ii) voluntary winding up; and (iii) material change in the nature of business. In addition, the change of locus of incorporation of NFCA and Luanshya is subject to the GRZ's affirmative vote. Under the articles of association of NFCA, the consent of the GRZ is also required for sale, transfer, assignment, lease or disposal of a significant portion of the undertaking, property and/or assets of NFCA.

For CCS, SML and Kakoso, operating and financial decisions are made in shareholders or board meeting where a resolution is passed with simple majority. There is no other arrangement between the shareholders or in the respective articles of association of CCS, SML and Kakoso that affects our rights to make such decision, in particular since we hold more than 50% of the issued share capital of CCS, SML and Kakoso and also control more than a majority of the board composition of these subsidiaries.

Considering all the above factors, our Directors are of the view that we are able to govern the financial and operating policies of our joint venture subsidiaries so as to obtain benefits from their activities. Accordingly, our joint venture subsidiaries are accounted for as subsidiaries and are consolidated according to the applicable accounting policies. As such, even though our operations

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are undertaken through joint venture arrangements, we have both (a) control over a majority (by value) of the assets in which we have invested together with adequate rights over the exploration for and extraction of minerals, as well as (b) rights through shareholding control and board control to exercise all key decisions over the extraction of the natural resources, in compliance with Rule 18.03(1) of the Listing Rules.

REORGANIZATION

In anticipation of the Global Offering, we underwent a pre-listing reorganization in 2011 pursuant to which our Company became the ultimate holding company of our subsidiaries.

Pursuant to a share swap agreement dated November 21, 2011 entered into between CNMC and CNMD, CNMD acquired the 85%, 80%, 60% and 55% interests in the issued share capital of NFCA, Luanshya, CCS and SML, respectively, from CNMC for an aggregate consideration of US\$349,620,000. The consideration was satisfied by the allotment and issue of 349,620,000 ordinary shares of US\$1.00 each in CNMD to CNMC.

Upon the completion of the above share swap, CNMC held 100% of CNMD which in turn held 85%, 80%, 60% and 55% of NFCA, Luanshya, CCS and SML, respectively.

Pursuant to a share swap agreement dated November 22, 2011 entered into between CNMD and our Company, our Company acquired the 85%, 80%, 60% and 55% interests in the issued share capital of NFCA, Luanshya, CCS and SML, respectively, from CNMD for an aggregate consideration of HK\$2,599,999,999 (the equivalent of approximately US\$333,333,333). The consideration was satisfied by the allotment and issue of 2,599,999,999 ordinary shares of HK\$1.00 each in our Company to CNMD. Pursuant to a deed of assignment dated November 22, 2011, CNMC assigned its receivable of US\$106,058,061 due from Luanshya to our Company at nil consideration.

Upon the completion of the above share swap, CNMC held 100% of CNMD which held 100% of our Company. Our Company in turn held 85%, 80%, 60% and 55% of NFCA, Luanshya, CCS and SML, respectively.

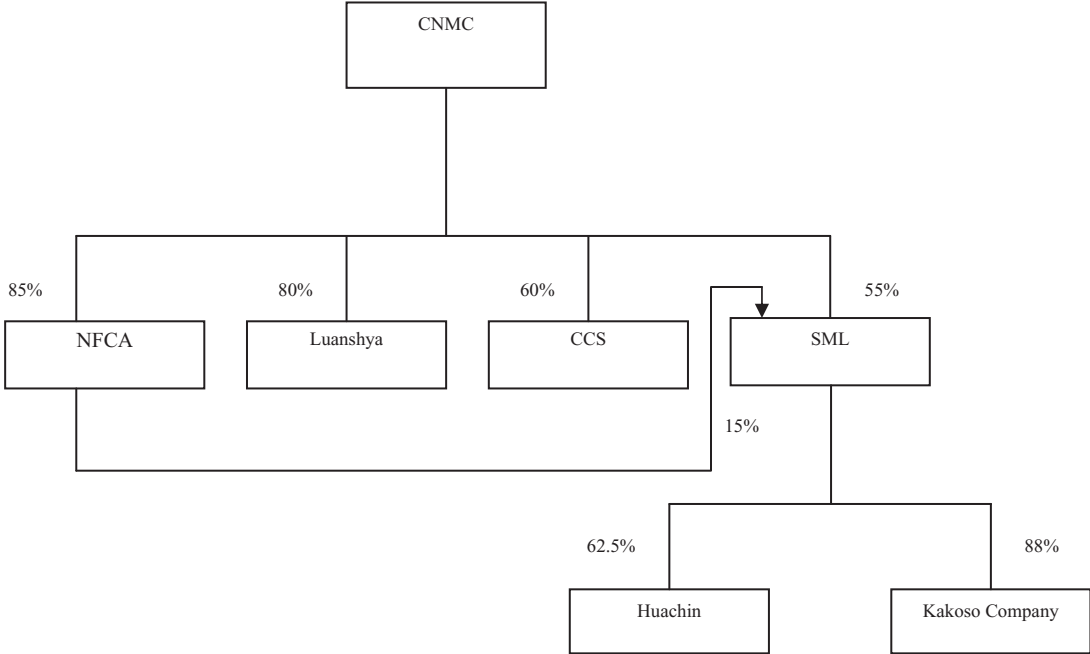
Pursuant to a share swap agreement dated December 2, 2011 entered into between our Company and CNMH, CNMH acquired the 85%, 80%, 60% and 55% interests in the issued share capital of NFCA, Luanshya, CCS and SML, respectively, from our Company for an aggregate consideration of €171,152,000 (the equivalent of approximately US\$243,562,000). The consideration was satisfied by the allotment and issue of 171,152,000 ordinary shares of €1.00 each in CNMH to our Company.

Upon the completion of the above share swap, CNMC held 100% of CNMD which held 100% of our Company. Our Company held 100% of CNMH which in turn held 85%, 80%, 60% and 55%, of NFCA, Luanshya, CCS and SML, respectively.

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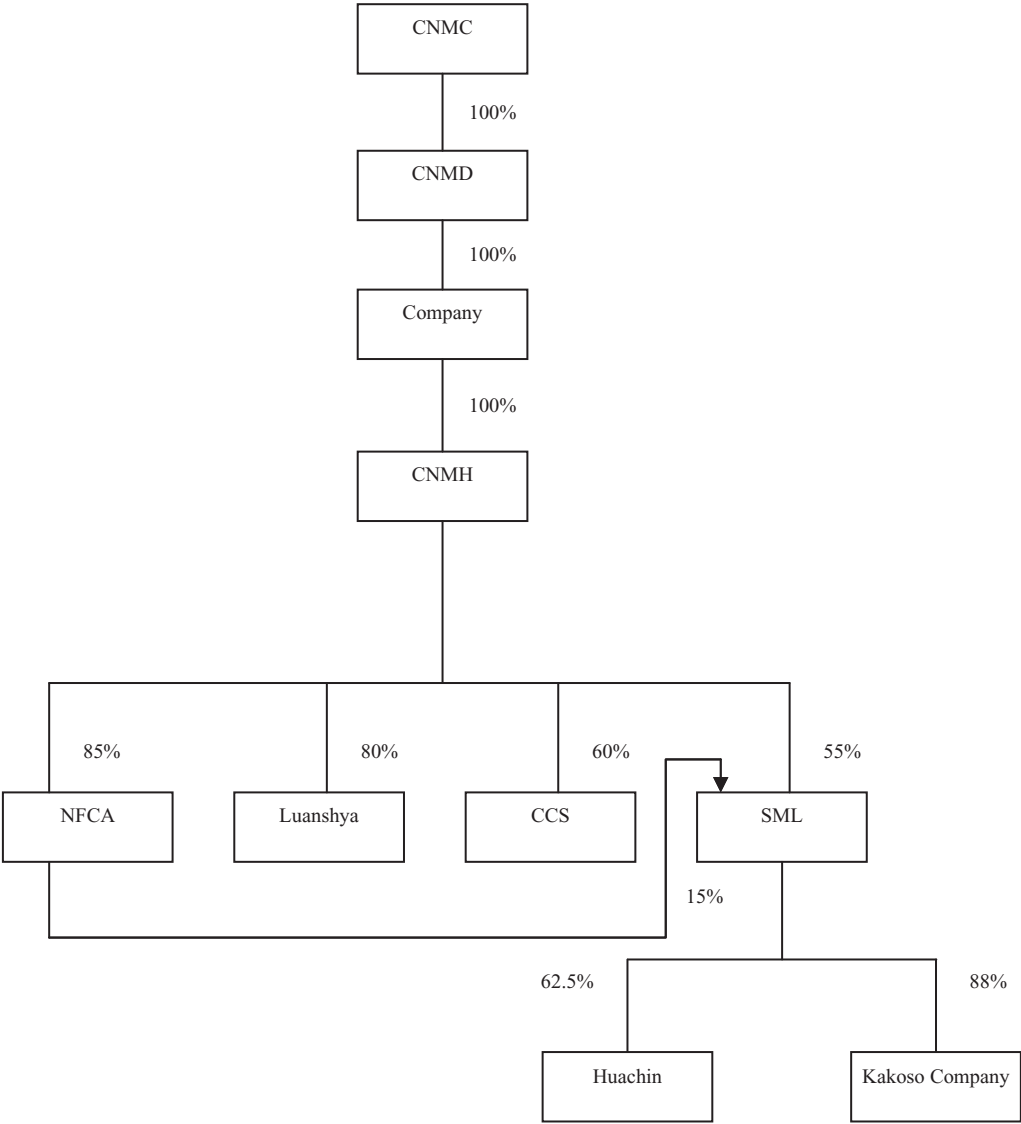
CORPORATE STRUCTURE

The diagram below sets forth our shareholding and corporate structure immediately before the Reorganization:



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The diagram below sets forth our shareholding and corporate structure following completion of the Reorganization but before the completion of the Global Offering:



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The diagram below sets forth our shareholding and corporate structure following the completion of the Reorganization and the Global Offering, assuming the Over-allotment Option is not exercised

