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

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

(Stock Code: 1258)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

Financial Highlights of the Group

In the first half of 2014, the Group recorded revenue of US$1,015.2 million, representing an increase of 18.6% from US$856.2 million in the first half of 2013.

In the first half of 2014, the Group recorded net profit of US$75.3 million, representing an increase of 55.4% from US$48.4 million in the first half of 2013.

In the first half of 2014, the Group recorded profit attributable to owners of US$43.8 million, representing an increase of 81.2% from US$24.2 million in the first half of 2013.

In the first half of 2014, basic earnings per share attributable to owners of the Group was approximately US¢1.26, representing an increase of approximately 82.6% from US¢0.69 in the first half of 2013.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2014.

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of China Nonferrous Mining Corporation Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2014, which have been reviewed by the external auditors.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2014	2013
	Notes	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
Revenue	4	**1,015,225**	856,214
Cost of sales		**(879,237)**	(735,071)
Gross profit		**135,988**	121,143
Other income		**4,194**	4,106
Distribution and selling expenses		**(2,596)**	(21,050)
Administrative expenses		**(32,465)**	(31,346)
Finance costs	6	**(8,136)**	(3,967)
Gain arising on change in fair value of derivatives		**2,492**	450
Other expenses	7	**(16,202)**	(1,355)
Profit before tax		**83,275**	67,981
Income tax expense	8	**(7,999)**	(19,542)
Profit and total comprehensive income for the period		**75,276**	48,439

	Notes	Six months ended 30 June 2014 US$'000 (Unaudited)	2013 US$'000 (Unaudited)
Profit and total comprehensive income attributable to:			
Owners of the Company		**43,797**	24,168
Non-controlling interests		**31,479**	24,271
		75,276	48,439
Earnings per share *(in US cents)*	10		
Basic		**1.26**	0.69
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 June 2014** *US$'000* **(Unaudited)**	At 31 December 2013 *US$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**1,234,505**	1,185,068
Interest in an associate		**2,143**	2,143
Restricted bank balances		**12,139**	12,137
Other assets		**15,480**	12,870
Finance lease receivables		**12,027**	16,645
		1,276,294	1,228,863
CURRENT ASSETS			
Inventories		**255,155**	370,175
Finance lease receivables		**10,335**	10,335
Trade receivables	12	**167,507**	143,386
Prepayments and other receivables		**194,547**	148,332
Available-for-sale investments		**—**	6,397
Restricted bank balances		**5,073**	4,573
Bank deposits, bank balances and cash		**479,672**	415,135
		1,112,289	1,098,333

	Notes	At 30 June 2014 US$'000 (Unaudited)	At 31 December 2013 US$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	13	**215,998**	239,445
Other payables and accrued expenses		**87,881**	101,256
Income tax payable		**26,000**	31,356
Bank and other borrowings			
— due within one year	14	**117,000**	61,000
Derivatives, at fair value		**96**	614
		446,975	433,671
NET CURRENT ASSETS		**665,314**	664,662
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,941,608**	1,893,525
CAPITAL AND RESERVES			
Share capital	15	**447,901**	447,901
Share premium		**165,332**	165,332
Retained profits		**206,334**	169,516
Equity attributable to owners of the Company		**819,567**	782,749
Non-controlling interests		**168,920**	137,441
TOTAL EQUITY		**988,487**	920,190

	Notes	At 30 June 2014 US$'000 (Unaudited)	At 31 December 2013 US$'000 (Audited)
NON-CURRENT LIABILITIES			
Bank and other borrowings			
— due after one year	14	**790,955**	817,955
Deferred revenue		**21,441**	21,752
Provision for restoration, rehabilitation and environmental costs		**20,204**	20,043
Deferred tax liabilities		**120,521**	113,585
		953,121	973,335
		1,941,608	1,893,525

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Share premium	Retained profits	Sub-total	Non-controlling interests	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Six months ended 30 June 2013						
At 1 January 2013 (Audited)	447,901	165,332	102,259	715,492	135,546	851,038
Profit and total comprehensive income for the period	—	—	24,168	24,168	24,271	48,439
Dividend declared	—	—	—	—	(22,614)	(22,614)
At 30 June 2013 (Unaudited)	447,901	165,332	126,427	739,660	137,203	876,863
Six months ended 30 June 2014						
At 1 January 2014 (Audited)	447,901	165,332	169,516	782,749	137,441	920,190
Profit and total comprehensive income for the period	—	—	43,797	43,797	31,479	75,276
Dividend declared	—	—	(6,979)	(6,979)	—	(6,979)
At 30 June 2014 (Unaudited)	447,901	165,332	206,334	819,567	168,920	988,487

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**185,070**	153,201
NET CASH USED IN INVESTING ACTIVITIES	**(101,539)**	(119,739)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	**(21,287)**	192,821
NET INCREASE IN CASH AND CASH EQUIVALENTS	**62,244**	226,283
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**415,135**	264,723
Effect of foreign exchange rate changes	**(7,707)**	(4,624)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD represented by bank balances and cash	**469,672**	486,382

NOTES:

1. GENERAL INFORMATION

China Nonferrous Mining Corporation Limited (the "Company") is company incorporated in Hong Kong and its shares are listed on the Stock Exchange of Hong Kong Limited. In the opinion of the directors of the Company (the "Directors"), the Company's parent and ultimate holding company are China Nonferrous Mining Development Limited, incorporated in the British Virgin Islands, and China Nonferrous Metal Mining (Group) Co., Ltd ("CNMC"), which is wholly-owned by State-owned Assets Supervision and Administration Commission of the State Council and is incorporated in the People's Republic of China (the "PRC"), respectively. The registered office of the Company is located at Room 1201, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong, and its principal place of business is located at 32 Enos Chomba Road, Kitwe, Zambia.

The principal activity of the Company is investment holding. The Group's subsidiaries are principally engaged in exploration, mining, ore processing, leaching, smelting and sale of copper cathodes, blister copper and sulfuric acid.

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) - Int 21	Levies

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE

An analysis of the Group's revenue from sale of goods for the period is as follows:

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Blister copper*	**855,163**	704,588
Copper cathodes	**125,075**	122,288
Sulfuric acid	**34,987**	29,338
	1,015,225	856,214

* During the six months ended 30 June 2014, certain terms for the sales of blister copper to fellow subsidiaries and subsidiaries of a non-controlling shareholder of a subsidiary were changed from last year that the relevant transportation costs were borne by them and the selling prices were adjusted accordingly. Therefore, the distribution and selling expenses of the Group for the six months ended 30 June 2014 were significantly decreased from the corresponding last year.

5. SEGMENT INFORMATION

Information reported to the President of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods produced.

The Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

- Leaching - Production and sale of copper cathodes (including exploration and mining of oxide copper mines) which are produced using the solvent extraction-electrowinning technology; and

- Smelting - Production and sale of blister copper (including exploration and mining of sulfuric copper mines) and sulfuric acid which are produced using ISA smelting technology.

Segment revenue and results

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

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Segment revenue		
Revenue from external customers		
— Leaching	**125,075**	122,288
— Smelting	**890,150**	733,926
	1,015,225	856,214
Inter-segment sales		
— Leaching	**–**	–
— Smelting	**12,250**	7,570
	12,250	7,570
Total segment revenue		
— Leaching	**125,075**	122,288
— Smelting	**902,400**	741,496
	1,027,475	863,784
Elimination*	**(12,250)**	(7,570)
Revenue for the period	**1,015,225**	856,214

* Inter-segment sales were conducted at terms mutually agreed among the companies comprising the Group.

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Segment profit		
— Leaching	**3,297**	1,529
— Smelting	**68,780**	48,001
	72,077	49,530
Unallocated Income*	**8,409**	4,276
Unallocated expense**	**(3,108)**	(1,284)
Elimination	**(2,102)**	(4,083)
Profit for the period	**75,276**	48,439

* The unallocated income and expenses mainly represents the interest income of the Company arising from the loans to the subsidiaries of the Group.

** The unallocated expenses mainly represent the interest on loans of the company and administrative expenses of the Company and China Nonferrous Mining Holdings Limited ("CNMH"), a directly wholly owned subsidiary of the Company which directly holds the Group's shareholdings in the subsidiaries in Zambia.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit represents the profit for the period earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	At 30 June 2014 US$'000 (Unaudited)	At 31 December 2013 US$'000 (Audited)
Segment assets		
— Leaching	**715,251**	690,100
— Smelting	**1,521,207**	1,590,574
Total segment assets	**2,236,458**	2,280,674
Unallocated assets*	**180,745**	113,740
Elimination	**(28,620)**	(67,218)
Consolidated total assets	**2,388,583**	2,327,196
Segment liabilities		
— Leaching	**639,065**	628,904
— Smelting	**982,264**	1,112,320
Total segment liabilities	**1,621,329**	1,741,224
Unallocated liabilities*	**139,745**	148,766
Elimination	**(360,978)**	(482,984)
Consolidated total liabilities	**1,400,096**	1,407,006

* The unallocated assets and liabilities mainly represent those of the Company and CNMH.

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities, except for certain assets and liabilities of the Company and CNMH, are allocated to operating and reportable segments.

6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings:		
— wholly repayable within five years	**7,412**	2,996
— not wholly repayable within five years	**3,116**	3,183
Total borrowing costs	**10,528**	6,179
Unwinding of the discount	**153**	343
Less: Amount capitalised in the cost of qualifying assets	**(2,545)**	(2,555)
	8,136	3,967
The weighted average capitalisation rate on funds borrowed generally *(per annum)*	**2.41-3.41%**	2.15-2.25%

7. OTHER EXPENSES

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Foreign exchange losses, net*	**15,732**	747
Gain on disposal of property, plant and equipment, net	**(2)**	(96)
Loss on operating hospitals, schools and recreational facilities, net	**225**	189
Others	**247**	515
	16,202	1,355

* The Group's net foreign exchange losses for the six months ended 30 June 2014 mainly arose from the retranslation of its VAT receivables which are denominated in ZMK as a result of the depreciation of ZMK against US$ during the current period.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current Tax:		
— Income Tax in Zambia	**155**	548
— Income Tax in Ireland	**—**	5,177
— Income Tax in DRC	**908**	1,253
	1,063	6,978
Underprovision of Income Tax in Ireland in respect of prior year	**—**	4,848
Deferred tax	**6,936**	7,716
Total income tax expense	**7,999**	19,542

Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2013: 16.5% (unaudited)) on the estimated assessable profit for the six months ended 30 June 2014. No provision for Hong Kong profits tax has been made as there was no assessable profit arising in, or derived from Hong Kong during both periods.

Income Tax in Ireland is calculated at 12.5% (six months ended 30 June 2013: 12.5% (unaudited)) on the estimated assessable income for the six months ended 30 June 2014.

Income Tax in DRC is calculated at 30% (six months ended 30 June 2013: 30% (unaudited)) on the estimated assessable income for the six months ended 30 June 2014.

Income Tax in Zambia is calculated at 35% (six months ended 30 June 2013: 35% (unaudited)) on the assessable income for the six months ended 30 June 2014, except for that arising from mining activities which is 30% (six months ended 30 June 2013: 30% (unaudited)) on the relevant assessable income.

For both period, the Group enjoyed the following income tax incentives:

- On 3 April 2009, Chambishi Copper Smelter Limited ("CCS", a directly 60% owned subsidiary of CNMH) was granted ten-year income tax incentives for zero rate of income tax for the first five profitable years; 50% of income tax relief for the next three years thereafter; and 25% of income tax relief for the remaining 2 years. The first profitable year of CCS, for Income Tax purpose, is 2010. In the six months periods ended 30 June 2013 and 30 June 2014, CCS enjoyed income tax incentives for zero rate of income tax.

- On 10 June 2011, Sino-Metal Leach Zambia Limited ("SML", a directly 55% owned subsidiary of CNMH) was granted ten-year income tax incentives for zero rate of income tax for the first five profitable years; 50% of income tax relief for the next three years thereafter; and 25% of income tax relief for the remaining 2 years. The first profitable year of SML, for Zmbia Income Tax purpose, is 2008. The applicable tax rate for SML for the six months ended 30 June 2014 was 17.5% (for the six months ended 30 June 2013: 17.5% (unaudited)).

Certain dividend income of CNMH from Zambia subsidiaries may be subject to Income Tax in Ireland at 12.5%. As at 30 June 2014, deferred tax liability of US$15,797,000 (31 December 2013: US$10,062,000 (audited)) has been provided for temporary differences associated with undistributed earnings of subsidiaries while the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised amounting to US$17,010,000 (31 December 2013: US$14,526,000 (audited)). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

The tax charge for the period can be reconciled to the profit before tax per the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit before tax	**83,275**	67,981
Tax at Profits Tax rate in Hong Kong		
— for operations at 16.5%	**913**	498
Tax at Income Tax rate in Ireland		
— for operations at 12.5%	**(29)**	5,177
Tax at Income Tax rate in DRC		
— for operations at 30%	**2,029**	3,174
Tax at Income Tax rate in Zambia		
— for operations at 30%	**(1,074)**	(179)
— for operations at 35%	**26,451**	20,680
	28,290	29,350
Tax effect of expenses not deductible for tax purpose	**3,204**	7,341
Underprovision of Income Tax in Ireland in respect of prior year	**—**	4,848
Deferred tax on undistributable earnings	**5,735**	—
Tax effect of income not taxable for tax purpose	**(1,006)**	(4,274)
Effect of tax incentives granted to the Group	**(28,224)**	(17,723)
Income tax expense for the period	**7,999**	19,542
Effective tax rate	**9.6%**	28.7%

9. DIVIDENDS

During the current interim period, a final dividend of US¢0.2 per share in respect of the year ended 31 December 2013 was declared and paid to owners of the Company. The aggregate amount of the final dividends declared during the interim period amounted to US$6,979,000.

No dividends have been declared in the current interim period (six months ended 30 June 2013: Nil (unaudited)).

10. EARNINGS PER SHARE

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purposes of basic earnings per share *(in US$'000)*	**43,797**	24,168
Weighted average number of shares for the purposes of basic earnings per share *(in '000)*	**3,489,036**	3,489,036

During the six months ended 30 June 2014 and 2013, the Company did not have any potentially dilutive ordinary share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment and incurred construction costs amounting to US$103,238,000 (six months ended 30 June 2013: US$123,663,000 (unaudited)).

12. TRADE RECEIVABLES

	At 30 June 2014 *US$'000* **(Unaudited)**	At 31 December 2013 *US$'000* (Audited)
Trade receivables	**169,129**	145,008
Less: Allowance for doubtful debts	**(1,622)**	(1,662)
	167,507	143,386

The following is an aged analysis of trade receivables, presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised, net of allowance for doubtful debts:

	At 30 June 2014 *US$'000* **(Unaudited)**	At 31 December 2013 *US$'000* (Audited)
Within 1 month	**164,730**	137,043
More than 1 month, but less than 3 months	**1,754**	4,221
More than 3 months, but less than 6 months	**135**	1,382
More than 6 months, but less than 12 months	**694**	15
Over 1 year	**194**	725
	167,507	143,386

13. TRADE PAYABLES

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

	At 30 June 2014	At 31 December 2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Within 1 month	**91,586**	116,728
More than 1 month, but less than 3 months	**83,710**	107,838
More than 3 months, but less than 6 months	**9,009**	10,063
More than 6 months, but less than 12 months	**29,707**	1,891
Over 1 year	**1,986**	2,925
	215,998	239,445

14. BANK AND OTHER BORROWINGS

	At 30 June 2014	At 31 December 2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Bank loans		
— secured(1)	**170,000**	170,000
— unsecured(2)	**715,350**	686,350
	885,350	856,350
Loan from a non-controlling shareholder of a subsidiary, unsecured(3)	**22,605**	22,605
	907,955	878,955

	At 30 June 2014 US$'000 (Unaudited)	At 31 December 2013 US$'000 (Audited)
Carrying amount repayable:		
Within one year	**117,000**	61,000
More than one year, but not exceeding two years	**375,605**	290,000
More than two years, but not exceeding five years	**137,900**	250,505
More than five years	**277,450**	277,450
	907,955	878,955
Less: Amounts shown under current liabilities	**(117,000)**	(61,000)
Non-current portion	**790,955**	817,955

Notes:

(1) The bank loans as at 30 June 2014 bore interest at rates varied based on London Interbank Offered Rate ("LIBOR"), ranging from 1.0% to 2.0% per annum (31 December 2013: 1.0% to 2.1% per annum (audited)), and are secured by certain restricted bank balances of US$4,157,000 (2013: US$4,157,000 (audited)) and are guaranteed by CNMC.

(2) As at 30 June 2014, the unsecured bank loans comprise the following:

- Bank loans of US$475,350,000 (31 December 2013: US$446,350,000 (audited)) with corporate guarantees issued by CNMC in favor of the relevant banks.
- Bank loans of US$80,000,000 (31 December 2013: US$80,000,000 (audited)) with joint corporate guarantees issued by both CNMC and a non-controlling shareholder of a subsidiary in favor of the relevant banks.
- Bank loans of US$60,000,000 (31 December 2013: US$60,000,000 (audited)) with corporate guarantees issued by a non-controlling shareholder of a subsidiary in favor of the relevant banks.
- Bank loans of US$100,000,000 (31 December 2013: US$100,000,000 (audited)) without corporate guarantee.

(3) The loan from a non-controlling shareholder of a subsidiary of US$22,605,000 (31 December 2013: US$22,605,000 (audited)) bore interest at a rate of 8.0% per annum (31 December 2013: 8.0% per annum) and is repayable in May 2016.

15. SHARE CAPITAL

	Number of shares *'000*	Share captial *HK$'000*
Authorised		
At 1 January 2014		
Ordinary shares of HK$1.00 each	5,000,000	5,000,000
At 30 June 2014	Note	Note

Note: Under the Hong Kong Companies Ordinance(Cap 622) with effect from 3 March 2014, the concept of authorised share capital no longer exists and the company's share no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

Issued and fully paid	
At 1 January 2014	
Ordinary shares of HK$1.00 each	3,489,036
At 30 June 2014	
Ordinary shares with no par value	3,489,036

	At 30 June 2014 ***US$'000*** **(Unaudited)**	At 31 December 2013 *US$'000* (Audited)
Presented in the condensed consolidated financial statements as	**447,901**	447,901

16. COMMITMENTS

(A) Capital Commitments

	At 30 June 2014 US$'000 (Unaudited)	At 31 December 2013 US$'000 (Audited)
Capital expenditure contracted for but not provided for in respect of:		
— acquisition of property, plant and equipment	**50,823**	233,691
Capital expenditure authorised but not contracted for in respect of:		
— acquisition of property, plant and equipment	**1,074,843**	991,007

(B) Lease Commitments — the Group as Lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of buildings and properties of CNMC and a fellow subsidiary in the PRC and Zambia for general and ancillary purposes which fall due as follows:

	At 30 June 2014 US$'000 (Unaudited)	At 31 December 2013 US$'000 (Audited)
Within one year	**46**	3,054
In the second to fifth year, inclusive	**186**	—

17. RELATED PARTY TRANSACTIONS

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

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

			Six months ended 30 June	
			2014	2013
			US$'000	*US$'000*
	Notes	**Related parties**	**(Unaudited)**	(Unaudited)
Sales of:				
— Blister copper	(i)	Fellow subsidiaries	**505,972**	424,755
	(i)	Subsidiaries of a non-controlling shareholder of a subsidiary	**265,371**	203,913
— Copper cathodes	(i)	Fellow subsidiaries	**85,928**	68,161
— Other materials	(i)	Fellow subsidiaries	**105**	21
Finance income earned under finance leases	(i) (iii)	Fellow subsidiaries	**622**	619
Purchases of:				
— Plant and equipment	(i)	Fellow subsidiaries	**24,965**	17,891
— Materials	(i)	Fellow subsidiaries	**14,650**	27,569
	(i)	Associates	**2,968**	—
— Services	(i)	Fellow subsidiaries	**34,245**	41,813
— Electricity	(i)	Fellow subsidiaries	**7,058**	6,370
— Freight and transportation	(i)	Fellow subsidiaries	**657**	742
Rental expenses	(i)	CNMC and fellow subsidiaries	**3,169**	3,276
Interest expenses	(ii)	A non-controlling shareholder of a subsidiary	**904**	—
Guarantee fee expenses	(i)	CNMC	**1,494**	1,868

Notes:

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

(ii) The interest expense arose from an unsecured loan from a non-controlling shareholder of a subsidiary. The loan is unsecured, bears interest at 8.0% per annum and is repayable in May 2016.

(iii) The finance income earned under finance leases arose from the finance leases to a fellow subsidiary.

In addition to the above, during the period, the Group also had the following transactions with related parties:

(a) Apart from those disclosed above, CNMC also provided guarantees to banks, at nil consideration, for granting certain unsecured loans to the Group.

(b) The details of remuneration of key management personnel, representing emoluments of the Directors, paid during the period are set out below:

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Salary, bonus and other allowance	**417**	398
Retirement benefit schemes contributions	**30**	23
	447	421

(c) On 1 July 2009, CCS entered into an agreement with Fifteen MCC Africa Construction & Trade Ltd. ("Fifteen MCC Africa"), a fellow subsidiary, (the "Fifteen MCC Africa Agreement") pursuant to which CCS agreed to provide certain living quarters to Fifteen MCC Africa on a free of charge basis. Fifteen MCC Africa shall pay for the use of water and electricity and other expenses such as repair and any applicable tax in Zambia. The Fifteen MCC Africa Agreement shall remain for as long as CCS is in existence. As Fifteen MCC Africa provides construction as well as equipment repair and maintenance services to CCS on an ongoing basis, it requires accommodation for its staff based in Zambia.

(d) The Group has also entered into various transactions, including deposits placements, borrowings and other general bank financing, with banks which are government-related entities in its ordinary course of business.

18. CONTINGENT LIABILITIES

As at the date of approval of these condensed consolidated financial statements, the Group was the defendant for various claims involving alleged unfair/unlawful termination or breach of employment contracts, wrongful calculation of wages/benefits, compensation for injuries and false imprisonment and defamation.

As at 30 June 2014, the Group has made relevant provision for the potential liabilities of US$300,000 (31 December 2013: US$300,000 (audited)) which the Directors opined is adequate based on the present assessments of the Group's local legal advisers.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In the first half of 2014, facing the slow recovery of the global economy and a weak market demand for base metals, the Group insisted on the development strategy of the Company to enhance its competitive edges continuously by discovering its inner potential. Business development maintained growth momentum while construction of projects was carried out as scheduled, deriving significant increase in operating revenue over the corresponding period of last year.

During the reporting period, the Group had further increased its production and sales volume and achieved revenue of US$1,015.23 million, representing an increase of 18.57% over the same period last year. Profit attributable to owners of the Company amounted to US$43.80 million, representing an increase of 81.22% over the same period last year.

Meanwhile, the Congo CNMC-Mabende Project of the Group commenced production during the reporting period. For other construction projects of the Group, the production capacity of Phase II of the Expansion Project of CCS and Muliashi Leach Project continued to expand while the Slag Copper Recovery Project and the Mwambashi Strip Mine Project are expected to commence production in the second half of the year. The Integrating Exploration and Construction Project of the Chambishi Southeast Mine was under smooth progress, creating a strong foundation for the Group's business growth.

Business Review

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

The businesses of the Group are carried out through its four subsidiaries in Zambia: NFC Africa Mining PLC ("NFCA"), CNMC Luanshya Copper Mines PLC ("Luanshya"), Chambishi Copper Smelter Limited ("CCS") and Sino-Metals Leach Zambia Limited ("SML"). SML has three subsidiaries, namely Kakoso Metals Leach Limited ("Kakoso Company") located in Zambia, and Huachin Metals Leach SPRL ("Huachin") and CNMC-Mabende Metal Leach SPRL ("CNMC-Mabende") located in DRC.

From 1 January 2014 to 30 June 2014, blister copper produced by the Group amounted to 111,980 tonnes, representing an increase of 17.23% over the same period last year; copper cathode amounted to 22,372 tonnes, representing an increase of 28.21% over the same period last year; and sulfuric acid generated amounted to 308,413 tonnes, representing an increase of 25.91% over the same period last year. Revenue of the Group increased by 18.57% from US$856.21 million for the first half of 2013 to US$1,015.23 million for the first half of 2014.

Production overview

NFCA

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

From January 2014 to June 2014, copper contained in concentrate produced by the Chambishi Main Mine and Chambishi West Mine amounted to 13,897 tonnes, representing an increase of 6.74% over the same period last year. This was primarily due to a stable growth in the production output of NFCA through enhancing mining operation management.

Luanshya

Luanshya operates Baluba Center Mine and Muliashi North Mine, two copper mines under production, as well as the Muliashi Leach Plant.

Copper contained in concentrate produced by the Baluba Center Mine for the first half of 2014 amounted to 8,184 tonnes, representing an increase of 17.84% over the same period last year. This was mainly due to the fact that both the mining-drifting balance and system capacity were improved through tightened drilling and equipment management.

The Muliashi Project produced 14,040 tonnes of copper cathode in the first half of 2014, representing an in crease of 33.42% over the same period last year. The increase was mainly attributable to smooth operation of the agitation leaching system at designed capacity and continuous improvement in the output capacity of the heap leaching system.

CCS

CCS mainly operates the Chambishi Smelting Plant.

In the first half of 2014, blister copper and sulfuric acid produced by CCS amounted to 111,980 tonnes and 308,413 tonnes, respectively, representing increases of 17.23% and 25.89%, respectively, over the same period last year. The increase was mainly attributable to the increase in output of blister copper and sulfuric acid with the operation of phase II of the construction project and the improvement of technical-economic indicators.

SML

SML mainly operates the Chambishi Leach Plant. It also operates the Congo Huachin Leach Project through Huachin Metals Leach SPRL and the CNMC-Mabende Project through Metal Leach SPRL.

Copper cathode produced by SML in the first half of 2014 increased by 20.28% to 8,332 tonnes as compared to the same period last year, primarily attributable to the additional copper cathode output of 3,545 tonnes upon the establishment and operation of CNMC Huachin Mabende Mining SPRL in March. Copper cathode produced by Chambishi Leach Plant decreased by 25.37% to 1,374 tonnes as compared to the same period last year, primarily due to the fact that the oxidized ores purchased externally were of lower quality and insufficient. Copper cathode produced by Huachin Metals Leach SPRL decreased by 32.89% to 3,413 tonnes as compared to the same period last year, primarily due to the suspension of operation for annual overhaul and the unstable electricity supply in the area where the project operated during the first half of the year.

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

	Production volume for the first half of 2014 (1) ***(Tonnes)***	Production volume for the first half of 2013 (1) *(Tonnes)*	Period-to-period growth *(%)*
Copper concentrate	**22,081**	20,152	9.57
Blister copper	**111,980**	95,522	17.23
Copper cathode	**22,372**	17,450	28.21
Sulfuric acid	**308,413**	244,994	25.89

Note: (1) The production volumes of all the products are on a contained-copper basis, except for sulfuric acid.

EXPLORATION, DEVELOPMENT AND MINING COST OF THE GROUP

	NFCA			Luanshya			SML	
Unit: Million US dollars	**Chambishi Main Mine**	**Chambishi West Mine**	**Chambishi Southeast Mine**	**Baluba Center Mine Sulfide**	**Muliashi North Mine**	**Muliashi South Mine**	**Mwambashi Mine**	**Toal**
Exploration activities								
Drilling and analysis			0.26	0.26	0.1	0.21	0.05	0.88
Others			3.91					3.91
Sub-total			**4.17**	**0.26**	**0.1**	**0.21**	**0.05**	**4.79**
Development activities (including mine construction)								
Purchases of assets and equipment			2.23	7.90	1.18	0.29	0.43	12.03
Civil work for construction of tunnels and roads			13.50	4.82	1.53	0.16		20.01
Staff Cost				0.96			0.36	1.32
Other			0.88		5.23	0.18	1.00	7.29
Sub-total			**16.61**	**13.68**	**7.94**	**0.63**	**1.79**	**40.65**
Mining activities (excluding ore processing)								
Staff cost	1.72	1.71		12.38	0.18			15.99
Consumables	0.71	0.70		8.16	1.26			10.83
Fuel, electricity, water and other services	2.37	2.35		7.59	0.02			12.33
Non–income taxes, royalties and other governmental charges				3.27	4.99			8.26
Others	0.83	0.83						1.66
Sub-contracting charges	19.70	19.55			20.30		2.54	62.09
Depreciation	5.77	5.73		5.20	3.04		0.37	20.11
Sub-total	**31.10**	**30.87**		**36.60**	**29.79**		**2.91**	**131.27**

PROJECTS IN PROGRESS

CCS

Phase II of the Expansion Project

The Group is forging ahead with the construction of phase II of the expansion project of CCS, of which, the main construction was completed on 30 April 2014. The project has a designed production capacity of 250,000 tonnes of blister copper and 600,000 tonnes of sulfuric acid per annum. The finishing-off work (such as sulfuric acid tanks, contaminated acid treatment and chimneys) is still under construction and is expected to be completed at the end of 2014.

NFCA

The Integrating Exploration and Construction Project of the Chambishi Southeast Mine

The Chambishi Southeast Mine Project under development is one of the key development mine projects of the Company with a designed ore processing capacity of 3,300,000 tonnes per annum and a production capacity of copper contained in concentrate of approximately 63,000 tonnes per annum. The aggregate project investments amounted to US$830 million, among which, an accumulated investment of a total of US$154,123,200 had been completed as at the end of June 2014. The tendering procedure and execution of contract in respect of the relocation of residents in the mining area was completed in in the first half of 2014. The entire project is expected to be completed in 2016.

Construction project of paste backfilling system in Chambishi West Mine

The aggregate investment in the paste backfill system is US$12.01 million. The system will play an essential role in the sustainable and balanced operation of Chambishi West Mine. As at the end of June 2014, an accumulated investment of US$7,795,500 was completed. At present, the construction of the system is completed and put into operation.

Luanshya

Slag copper recovery project

The slag copper recovery project commenced construction in October 2013 with an expected total investment of US$20.13 million. The total accumulated investment as at the end of June 2014 was US$9,053,200, representing 44.97% of the total investment. At present, the project is at the finishing off stage and trial-testing of individual equipment is commenced. It is expected to put into operation in the second half of the year.

SML

Mwambashi Strip Mine project

The project comprises a strip mine with designed capacity of 600,000 tonnes of ores per annum and a process plant with a capacity of 2,000 tonnes per day. The construction commenced in September 2013 with a construction period of one year. The total investment amount is US$71,570,400. The total amount invested by the end of June 2014 amounted to US$17,771,900, representing 24.83% of the total investment.

CNMC-Mabende

The 20,000-tonne Leaching Copper Project of Mabende

SML is undertaking a project to construct and operate a leaching plant with an annual output of 20,000 tonnes of copper cathode through CNMC-Mabende (the "Mabende Project"). The expected investment amount is US$148 million. The Mabende Project commenced construction in April 2013 and produced the first batch of copper cathode in March 2014.

In addition, approval has been obtained for the feasibility study report for the cobalt recycling project of CCS and the preliminary design is in process. The Group currently carries out development of certain new resource projects such as mining activities in the south Muliashi mine of Luanshya and the development of tailing resources by Kakoso Company, with an aim to actively expanding our reserve projects to secure a continuous growth of the Company.

FINANCIAL REVIEW

Results of Operations

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

	For the six months ended 30 June							
	2014				2013			
	Sales Volume [1]	**Average Selling Price**	**Revenue**	**% of Total Revenue**	Sales Volume [1]	Average Selling Price	Revenue	% of Total Revenue
	(Tonnes)	***(US$ per tonne)***	***(US$'000)***	***(%)***	*(Tonnes)*	*(US$ per tonne)*	*(US$'000)*	*(%)*
Blister copper	**131,621**	**6,497**	**855,163**	**84.23**	98,009	7,189	704,588	82.30
Copper cathode	**20,763**	**6,024**	**125,075**	**12.32**	18,917	6,464	122,288	14.28
Sulfuric acid	**218,433**	**160**	**34,987**	**3.45**	186,764	157	29,338	3.42
Total	**370,817**		**1,015,225**	**100.0**			856,214	100.0

Note: (1) The production volumes of all the products are on a contained-copper basis, except for sulfuric acid.

Revenue

The revenue of the Group increased by 18.57% from US$856.21 million in the first half of 2013 to US$1,015.23 million in the first half of 2014, primarily attributable to the growth in the sales volume of blister copper, but partially offset by the decline in global copper prices. In the first half of 2014, the Group's revenue from blister copper, copper cathode and sulfuric acid accounted for 84.23%, 12.32% and 3.45%, respectively, of the total revenue.

The revenue of blister copper increased by 21.37% from US$704.59 million in the first half of 2013 to US$855.16 million in the first half of 2014, primarily due to the fact that the phase II of construction project was gradually put into operation and the output of blister copper increased with the continuous improvement of technical-economic indicators brought about by tightened management and technological innovation. The sales volume of blister copper recorded an increase of 34.29% over the same period last year. However, the average selling price of blister copper decreased from US$7,189 per tonne in the first half of 2013 to US$6,497 per tonne in the first half of 2014 due to the decline in international copper prices, partially offsetting the growth in revenue driven by increased sales volume.

The revenue of copper cathode increased by 2.28% from US$122.29 million in the first half of 2013 to US$125.07 million in the first half of 2014, mainly attributable to the year-on-year increase in the sales volume of copper cathode. However, the average selling price of copper cathode decreased from US$6,464 per tonne in the first half of 2013 to US$6,024 per tonne in the first half of 2014, partially offsetting the effect of increase in sales volume.

The revenue of sulfuric acid increased by 19.25% from US$29.34 million in the first half of 2013 to US$34.99 million in the same period of 2014, primarily attributable to the increase of external sales of sulfuric acid by 16.96% from 186,764 tonnes in the first half of 2013 to 218,433 tonnes in the first half of 2014 as well as the increase in the average selling price of sulfuric acid by 1.91% from US$157 per tonne in the first half of 2013 to US$160 per tonne in the first half of 2014.

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

	For the six months ended 30 June							
	2014				2013			
	Cost of Sales *(US'000)*	**Unit Cost of Sales** *(US$ per tonne)*	**Gross Profit** *(US'000)*	**Gross Profit Margin** *(%)*	Cost of Sales *(US'000)*	Unit Cost of Sales *(US$ per tonne)*	Gross Profit *(US'000)*	Gross Profit Margin *(%)*
Blister copper	**785,150**	**5,965**	**70,013**	**8.19**	640,347	6,534	64,241	9.12
Copper cathode	**89,394**	**4,306**	**35,681**	**28.53**	87,892	4,646	34,396	28.13
Sulfuric acid	**4,693**	**21**	**30,294**	**86.59**	6,832	37	22,506	76.72
Total	**879,237**		**135,988**	**13.39**	735,071		121,143	14.15

Cost of sales

The cost of sales in the first half of 2014 increased by 19.61% to US$879.24 million from US$735.07 million in the same period of 2013, primarily due to the increased total costs as a result of the growth in sales volume of the Company's products, but partially offset by the decrease in global copper prices.

The cost of sales of blister copper increased by 22.61% from US$640.35 million in the first half of 2013 to US$785.15 million in the first half of 2014, primarily due to the increase in the sales volume of blister copper of CCS, partially offset by a decrease of 8.71% in unit cost of sales of blister copper from US$6,534 per tonne in the first half of 2013 to US$5,965 per tonne in the first half of 2014 as a result of the lower price of outsourcing copper concentrate attributable to the decrease in global copper prices.

The cost of sales of copper cathode increased by 1.71% from US$87.89 million in the first half of 2013 to US$89.39 million in the first half of 2014. The unit cost of sales of copper cathode decreased by 7.32% from US$4,646 per tonne in the first half of 2013 to US$4,306 per tonne in the first half of 2014.

The cost of sales of sulfuric acid decreased by 31.31% from US$6.83 million in the first half of 2013 to US$4.69 million in the first half of 2014, primarily due to a decrease of 43.24% in unit cost of sales from US$37 per tonne in the first half of 2013 to US$21 per tonne in the same period of 2014.

Gross profit and gross profit margin

As a result of the aforementioned factors, the Group recorded a gross profit of US$135.99 million in the first half of 2014, representing an increase of 12.25% from US$121.14 million in the same period of 2013. The gross profit margin decreased from 14.15% in the first half of 2013 to 13.39% in the first half of 2014.

The gross profit margin of blister copper decreased by 0.93 percentage point from 9.12% in the first half of 2013 to 8.19% in the first half of 2014, primarily attributable to the decrease in average selling price of blister copper from US$7,189 per tonne in the first half of 2013 to US$6,497 per tonne in the first half of 2014 due to the copper price fluctuations. In addition, freight charges of blister copper were paid by the purchasers instead of vendors, which partially offset the growth in revenue of blister copper driven by increased sales volume in the first half of 2014.

The gross profit margin of copper cathode increased by 0.4 percentage point from 28.13% in the first half of 2013 to 28.53% in the first half of 2014, primarily due to the decline in unit production cost of copper cathode.

The gross profit margin of sulfuric acid increased by 9.87 percentage points from 76.72% in the first half of 2013 to 86.59% in the first half of 2014, primarily attributable to the increased unit selling price and decreased cost of sulfuric acid.

Distribution and selling expenses

The distribution and selling expenses of the Group decreased by 87.67% from US$21.05 million in the first half of 2013 to US$2.60 million in the first half of 2014, primarily due to the decrease in the cost of sales arising from the changes in sales settlement terms of blister copper which places the burden of freight payment on the purchaser instead of the vendor.

Administrative expenses

The administrative expenses of the Group increased by 3.57% from US$31.35 million in the first half of 2013 to US$32.47 million in the first half of 2014.

Finance costs

The finance costs of the Group increased by 105.09% from US$3.97 million in the first half of 2013 to US$8.14 million in the first half of 2014, primarily due to an increase in the balance of the Group's loans and in financing expenses.

Gains/losses arising on change in fair value of derivatives

The gains arising on change in fair value of derivatives increased significantly from US$0.45 million in the first half of 2013 to US$2.49 million in the first half of 2014. The Group entered into copper futures contracts to hedge its net exposure to the copper price fluctuations due to the discrepancy between the time it expects to procure copper concentrate from external suppliers and when it expects to sell blister copper to external customers.

Other expenses

Other expenses of the Group recorded a significant increase from US$1.36 million in the first half of 2013 to US$16.20 million in the first half of 2014, primarily due to the increase in exchange loss arising from the increased amount of refundable tax denominated in ZMK as the Zambia Revenue Authority prolonged the time for handling the refund of value-added tax to subsidiaries of the Company during the period.

Income tax expense

The income tax expense of the Group decreased by 59.07% from US$19.54 million in 2013 to US$8.00 million in the first half of 2014. Effective tax rate decreased from 28.75% in the first half of 2013 to 9.60% in the first half of 2014, primarily due to the fact that CCS enjoyed tax holiday during the year when both the profits of CCS and its proportion in the total profit recorded an increase, and the income tax in Ireland for the year decreased.

Profit attributable to owners of the Company

Due to the aforementioned factors, profit attributable to owners of the Company increased by 81.22% from US$24.17 million in the first half of 2013 to US$43.80 million in the first half of 2014.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The following table sets forth certain information regarding the condensed consolidated statements of cash flows of the Group for the periods indicated:

	For the six months ended 30 June	
	2014	2013
	(US$'000)	*(US$'000)*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**185,070**	153,201
Net cash used in investing activities	**(101,539)**	(119,739)
Net cash (used in)/from financing activities	**(21,287)**	192,821
Net increase in cash and cash equivalents	**62,244**	226,283
Cash and cash equivalents at beginning of the period	**415,135**	264,723
Effect of foreign exchange rate changes	**(7,707)**	(4,624)
Cash and cash equivalents at the end of the period	**469,672**	486,382

Net cash flows from operating activities

Cash inflows from operating activities are primarily attributable to the sales revenue of copper products and cash outflows are primarily attributable to various operating expenses. Net cash flows generated from the operating activities of the Group increased by US$31.87 million from US$153.20 million in the first half of 2013 to US$185.07 million in the same period of 2014, primarily attributable to an increase of US$15.29 million in the total profit before tax of the Company from US$67.98 million in the first half of 2013 to US$83.28 million in the first half of 2014, as well as an increase of US$11.93 million in non-cash depreciation charges.

Net cash flows used in investing activities

Cash outflows used in investing activities are mainly for the acquisition of properties, plants and equipment for copper production. The net cash flows used in investing activities of the Group decreased by US$18.20 million from US$119.74 million in the first half of 2013 to US$101.54 million in the same period of 2014, primarily due to the year-on-year decrease in investment expenditure with the completion of Phase II of the Expansion Project of CCS and the Mabende Project in DRC in the first half of 2014.

Net cash flows used in/from financing activities

Cash inflows from financing activities primarily consist of new bank and other borrowings as well as proceeds from increase in capital. The cash outflows from financing activities primarily consist of repayments of bank and other borrowings, dividend payments and interest payments. The net cash flow used in financing activities of the Group was US$21.29 million in the first half of 2014, representing a decrease of US$214.11 million as compared to the net cash flow generated from financing activities of US$192.82 million in the same period of 2013. The decrease in cash flow from financing activities mainly attributable to the decrease in bank loans for the period and increase in loan repayment over the same period last year, as well as dividend payments to non-controlling interests for the period.

Bank balances and cash

The Group's bank balances and cash (including cash, time deposits and demand deposits) increased by US$64.54 million from US$415.14 million as at 31 December 2013 to US$479.67 million as at 30 June 2014.

Trade receivables

Trade receivables of the Group increased by US$24.12 million from US$143.39 million as at 31 December 2013 to US$167.51 million as at 30 June 2014, primarily attributable to the increase in sales volume.

Inventories

Inventories held by the Group decreased by US$115.02 million from US$370.18 million as at 31 December 2013 to US$255.16 million as at 30 June 2014, primarily due to changes in the settlement method of blister copper and the relatively significant decrease in goods in transit.

Trade payables

Trade payables of the Group decreased by US$23.45 million from US$239.45 million as at 31 December 2013 to US$216.00 million as at 30 June 2014.

Capital expenditure

	For the six months ended 30 June	
	2014	2013
	(US$'000)	*(US$'000)*
	(Unaudited)	(Unaudited)
Mining and ore processing facilities at NFCA (Chambishi Southeast Mine)	**27,379**	32,596
Mining and ore processing facilities at NFCA (Others)	**6,700**	7,112
Mining and leaching facilities at Luanshya (Muliashi Project)	**11,589**	24,882
Mining and ore processing facilities at Luanshya (Baluba Center Mine)	**17,842**	7,585
Smelting facilities at CCS	**19,002**	21,582
Leaching facili ties at Chambishi Leach Plant	**3,445**	7,202
Leaching facilities at Huachin Leach Project	**101**	2,125
Leaching facilities at Mabende Project	**20,289**	22,288
Total	**106,347**	125,372

The total capital expenditure of the Group decreased by US$19.02 million from US$125.37 million in the first half of 2013 to US$106.35 million in the first half of 2014. During the reporting period, the capital expenditure of the Group was primarily used in projects such as the Chambishi Southeast Mine Project, Muliashi Project, phase II of expansion of CCS copper smelting and Mabende copper smelting by leaching. Among these projects, the Muliashi Project and Phase II of the Expansion Project of CCS had completed general construction, thus reducing investment amount.

Market Risk Disclosure

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

Commodity price risk

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

Foreign currency exchange risk

The Group operates its business in Zambia and most of its businesses in the past were settled in US dollar, its functional currency, while certain businesses were settled in currencies other than its functional currency (mainly Zambia Kwacha, or ZMW, and Reminbi, or RMB), which exposed the Group to foreign currency risk. During the reporting period, the Group did not engage in any foreign currency hedging activities.

Interest rate risk

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

Employee information

As at 30 June 2014, the Group employed a total of 6,841 employees (as at 30 June 2013: 6,308). The total cost of employees reflected in the consolidated statement of profit or loss and other comprehensive income amounted to US$49.77 million June 2014 (30 June 2013: US$46.22 million). The year-on-year increase in the cost of employees was attributable to the increase in the number of employees due to expansion of production scale and the natural growth in average salaries.

FUTURE PROSPECTS

Despite slow recovery of the global economy, the general market of non-ferrous metals, especially copper metals, was still in depression in the first half of 2014. Looking forward, in the second half of 2014, the early termination of the Quantitative Easing Monetary Policy by the Federal Reserve, persistent employment pressure, and the deep-rooted problems in economic development of Europe and Japan have yet to be solved. In addition, the Chinese economy is facing downward pressure of slower growth. Therefore, the prices of base metals, especially copper price, will remain at a low level in the short term. However, in the long run, given its vast territory, together with the implementation of structural adjustments and growth stabilisation policies, China will still have huge economic development potential. In addition, the global economic recovery will also drive copper demand to increase continuously. Besides, copper is not a renewable resource. Supported by these fundamental factors, the long-term outlook of copper price continues to be optimistic.

Taking into account of the aforementioned factors, the Group will continue to increase the reserve and resources of copper and cobalt through exploration and development activities as well as acquisitions and mergers, advance the construction of its key projects and enlarge the production capacity of its smelting and leaching operations. Meanwhile, it will continue to optimise internal management, enhance cost control and improve operation efficiency, so as to secure its profitability.

1. Continue the construction of key projects

In the second half of 2014, the heap construction of Muliashi Project will be further accelerated and we will continue to expand the production capacity of heap leaching system to reach the targeted standard and output. To achieve total completion of the project, we will speed up the finishing up work of Phase II of the Expansion Project of CCS. On the basis of reaching the targeted standard and output, the Company will strive to achieve high and stable output in the Mabende Project. The exploitation in Chambishi Southeast Mine will be continuously accelerated while the construction of Slag Copper Recovery Project and Mwambashi Project will be completed, which will become new sources for production and efficiency enhancement of the Company.

2. Improve performance of existing operations

The Group will continue to pay due efforts in its mining activities at Chambishi Main Mine, Chambishi West Mine and Baluba Center Mine in the second half of the year, so as to increase the production volume of copper concentrate from its own mines. While boosting the production volume of blister copper and sulfuric acid of CCS, the Group will expedite the implementation of the cobalt recovery program, with a view to further increase the existing production capacity and returns. It will expedite the development of the leach company through enhancing cost control and improving management, so as to maximise efficiency.

The Group will further technological innovation, optimise production process and control the cost of production. In particular, it will further refine the production systems of Chambishi Main Mine and the Chambishi West Mine, increase the leaching rate of agitation leaching and heap leaching of Muliashi Project and reinforce the organisation and production of copper smelting and converter. More efforts will be made in the research of cobalt recovery and bio-metallurgical technology to enhance the processing capacity and recovery rate of low-grade ore.

The Group will continue to pay attention to improving its working environment, further enhance its ability in human resources management and strengthen staff training in order to ensure for safe and efficient production.

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

As at 30 June 2014, none of the Directors or chief executives had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or interest and short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests and short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as stipulated in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

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

As at 30 June 2014, interests or short positions which shall be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of any other members of the Group:

Long positions in Shares:

Substantial Shareholder	Capacity/ Nature of interest	Number of shares	Approximate percentage of shareholdings
CNMD *	Registered owner	2,600,000,000	74.52%
CNMC	Interest in a controlled corporation	2,600,000,000	74.52%

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

Save as disclosed above, as at 30 June 2014, no other person had any interests or short positions in the Shares or underlying Shares of the Company which was required to be recorded in the register.

As at 30 June 2014, each of the following entities were directly indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Member of our Group	Entity with 10% or more interest (other than member of the Group)	Percentage of that entity's interest
NFCA	Zambia Consolidated Copper Mines Investments Holdings Plc ("ZCCM-IH")	15%
Luanshya	ZCCM-IH	20%
CCS	Yunnan Copper Group	40%
SML	Hainan Sino-Africa Mining Investment Ltd.	30%
Huachin	Huachin SPRL	37.5%
Kakoso Company	Shenzen Resources Limited	12%
CNMC-Mabende	Huachin SPRL	40%
Green Home Farm Limited	ZCCM-IH	15%

Note: As at 31 December 2012, CNMC held another 5% interest in Luanshya on trust for ZCCM-IH. The transfer of such 5% interest by CNMC to ZCCM-IH had been completed by 10 January 2013.

Save as disclosed above, as at 30 June 2014, no other person had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Section 336 of the SFO or, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had engaged in any business which competes or may compete directly or indirectly with the business of the Group for the six months ended 30 June 2014.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2014.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and paragraph C3 of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to supervise the financial reporting process and internal control system of the Group. Members of the Audit Committee are Mr. Tao Luo, a non-executive Director, and Mr. Jingwei Liu and Mr. Huanfei Guan[*(Note)*], independent non-executive Directors. The Group's unaudited financial report for the six months ended 30 June 2014 have been reviewed by the Audit Committee, and were of the opinion that such financial report complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers at the Appendix 10 of the Listing Rules. The Company had also made specific enquiries to all Directors and confirmed that all of them complied with the Model Code throughout the six months ended 30 June 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of its listed securities throughout the six months ended 30 June 2014.

EVENTS AFTER THE LATEST ANNUAL REPORT

Saved as disclosed in the announcement, there were no significant events affecting the Company nor any of its subsidiaries after the latest annual report requiring disclosure in this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.cnmcl.net) and the Stock Exchange (www.hkexnews.hk). The interim report for the six months ended 30 June 2014 which set out all information required under the Listing Rules, will be despatched to the shareholders and available on the above websites in due course.

By Order of the Board
China Nonferrous Mining Corporation Limited
Tao LUO
Chairman

Hong Kong, 28 August 2014

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Xinghu Tao, Mr. Chunlai Wang, Mr. Xingeng Luo, Mr. Xinguo Yang, Mr. Kaishou Xie, as executive Directors; Mr. Tao Luo as non-executive Director; Mr. Chuanyao Sun, Mr. Jingwei Liu and Mr. Huanfei Guan[(Note)] as independent non-executive Directors.

Note: Mr. Huanfei Guan has become an independent non-executive Director, member of Audit Committee, Chairman of Remuneration Committee and member of Compliance Committee with effect from 28 August 2014. At the time when the Group's unaudited financial report for the six months ended 30 June 2014 was reviewed and approved, Mr. Shuang Chen was an independent non-executive Director and a member of the Audit Committee instead.