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**China Nonferrous Mining Corporation Limited**
**中 國 有 色 礦 業 有 限 公 司**

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

(Stock Code: 1258)

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

**FINANCIAL HIGHLIGHTS OF THE GROUP**

In 2017, the Group recorded revenue of US$1,838.7 million, representing an increase of 40.0% from US$1,313.3 million in 2016.

In 2017, the Group recorded profit of US$233.9 million, increased by US$188.5 million from US$45.4 million in 2016.

In 2017, the Group recorded profit attributable to owners of the Company of US$142.4 million, increased by US$130.6 million from US$11.8 million in 2016. The drastic increase in profit attributable to owners was primarily due to the increase in copper price, the Company's strengthened management resulting in the increase in production and sales volumes and the decrease in unit cost of production.

In 2017, basic earnings per share attributable to owners of the Company was approximately US¢ 4.08 (equivalent to approximately HK$0.32), increased by approximately US¢ 3.74 (equivalent to approximately HK$0.29) from approximately US¢0.34 (equivalent to approximately HK$0.03) in 2016.

The Board proposes a payment of 2017 final dividend of US¢ 0.6124 per share.

## FINANCIAL INFORMATION

The board of directors (the "**Board**") of China Nonferrous Mining Corporation Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the corresponding period in 2016.

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

*FOR THE YEAR ENDED 31 DECEMBER 2017*

| | *Notes* | **2017**<br>***US$'000*** | 2016<br>*US$'000* |
|---|---|---|---|
| **Revenue** | 3, 4 | **1,838,731** | 1,313,291 |
| Cost of sales | | **(1,406,783)** | (1,113,378) |
| Gross profit | | **431,948** | 199,913 |
| Other income | | **9,599** | 7,272 |
| Distribution and selling expenses | | **(46,282)** | (28,273) |
| Administrative expenses | | **(53,443)** | (46,349) |
| Finance costs | 5 | **(23,117)** | (22,411) |
| Other expenses | | **(17,599)** | (44,115) |
| Other gains and losses | 6 | **18,121** | 3,060 |
| **Profit before tax** | | **319,227** | 69,097 |
| Income tax expense | 7 | **(85,368)** | (23,650) |
| **Profit and total comprehensive income for the year** | 4 | **233,859** | 45,447 |
| **Profit and total comprehensive income attributable to:** | | | |
| Owners of the Company | | **142,428** | 11,832 |
| Non-controlling interests | | **91,431** | 33,615 |
| | | **233,859** | 45,447 |
| **Earnings per share** | | | |
| – Basic and diluted | 9 | **US ¢4.08/share** | US ¢0.34/share |
| – Basic and diluted (HK$ equivalent) | 9 | **HK$0.32/share** | HK$0.03/share |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2017*

| | Notes | 2017 US$'000 | 2016 US$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **1,021,166** | 905,087 |
| Mining right | | **–** | 10,366 |
| Interest in an associate | | **2,143** | 2,143 |
| Finance lease receivables | | **319** | 1,089 |
| Other assets | | **20,082** | 13,826 |
| Restricted bank balances | | **6,027** | 6,027 |
| Deferred tax assets | | **52,456** | 59,702 |
| | | **1,102,193** | 998,240 |
| **CURRENT ASSETS** | | | |
| Inventories | 10 | **383,580** | 316,824 |
| Finance lease receivables | | **950** | 2,447 |
| Trade receivables | 11 | **234,924** | 224,225 |
| Prepayments and other receivables | | **180,299** | 163,578 |
| Restricted bank balances | | **1,267** | 1,100 |
| Bank deposits | | **45,000** | 38,000 |
| Bank balances and cash | | **854,984** | 685,327 |
| | | **1,701,004** | 1,431,501 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 12 | **265,665** | 275,985 |
| Other payables and accrued expenses | | **62,206** | 33,885 |
| Income tax payable | | **72,930** | 27,325 |
| Bank and other borrowings – due within one year | 13 | **455,225** | 58,000 |
| Derivative, at fair value | | **4,419** | 8,233 |
| | | **860,445** | 403,428 |
| **NET CURRENT ASSETS** | | **840,559** | 1,028,073 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,942,752** | 2,026,313 |

| | Notes | 2017 US$'000 | 2016 US$'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **613,233** | 613,233 |
| Retained profits | | **173,842** | 31,414 |
| **Equity attributable to owners of the Company** | | **787,075** | 644,647 |
| **Non-controlling interests** | | **253,009** | 198,999 |
| **TOTAL EQUITY** | | **1,040,084** | 843,646 |
| **NON-CURRENT LIABILITIES** | | | |
| Bank and other borrowings – due after one year | 13 | **813,512** | 1,100,487 |
| Deferred income | | **16,199** | 15,818 |
| Provision for restoration, rehabilitation and environmental costs | | **18,960** | 19,863 |
| Deferred tax liabilities | | **53,997** | 46,499 |
| | | **902,668** | 1,182,667 |
| | | **1,942,752** | 2,026,313 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
*FOR THE YEAR ENDED 31 DECEMBER 2017*

| | Equity attributable to owners of the Company | | | | |
|---|---|---|---|---|---|
| | Share capital<br>*US$'000* | Retained profits<br>*US$'000* | Sub-total<br>*US$'000* | Non-controlling interests<br>*US$'000* | Total equity<br>*US$'000* |
| Balance at 1 January 2016 | 613,233 | 19,582 | 632,815 | 154,656 | 787,471 |
| Profit and total comprehensive income for the year | – | 11,832 | 11,832 | 33,615 | 45,447 |
| Dividend declared by a subsidiary | – | – | – | (3,672) | (3,672) |
| Capital contribution by a non-controlling shareholder of a subsidiary | – | – | – | 14,400 | 14,400 |
| Balance at 31 December 2016 | 613,233 | 31,414 | 644,647 | 198,999 | 843,646 |
| Profit and total comprehensive income for the year | **–** | **142,428** | **142,428** | **91,431** | **233,859** |
| Dividend declared by subsidiaries | **–** | **–** | **–** | **(50,046)** | **(50,046)** |
| Capital contribution by non-controlling shareholders of subsidiaries | **–** | **–** | **–** | **12,625** | **12,625** |
| **Balance at 31 December 2017** | **613,233** | **173,842** | **787,075** | **253,009** | **1,040,084** |

**CONSOLIDATED STATEMENT OF CASH FLOWS**
*FOR THE YEAR ENDED 31 DECEMBER 2017*

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| **NET CASH FROM OPERATING ACTIVITIES** | **335,782** | 121,946 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(204,293)** | (56,257) |
| **NET CASH FROM FINANCING ACTIVITIES** | **37,243** | 59,684 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **168,732** | 125,373 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR** | **685,327** | 560,246 |
| Effect of foreign exchange rate changes on the balance of cash held in foreign currencies | **925** | (292) |
| **CASH AND CASH EQUIVALENTS AT THE END OF YEAR** | | |
| Represented by: | | |
| Bank balances and cash | **854,984** | 685,327 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*FOR THE YEAR ENDED 31 DECEMBER 2017*

## 1. GENERAL INFORMATION

The Company was incorporated in Hong Kong on 18 July 2011 and its shares are listed on The Stock Exchange of Hong Kong Limited. In the opinion of the directors of the Company (the "**Directors**"), the Company's immediate holding company is China Nonferrous Mining Development Limited, a private company incorporated in the British Virgin Islands and the Company's ultimate holding company is China Nonferrous Metal Mining (Group) Co., Ltd ("**CNMC**"), an enterprise established in the People's Republic of China (the "**PRC**") and wholly-owned by State-owned Assets Supervision and Administration Commission of the State Council. 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, The Republic of Zambia ("**Zambia**").

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

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

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results 2017 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the CO is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the CO and will deliver the financial statements for the year ended 31 December 2017 in due course.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following amendments to HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 | *As part of Annual Improvements to HKFRSs 2014–2016 Cycle* |

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

**Amendments to HKAS 7 *Disclosure Initiative***

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be included in cash flows from financing activities.

Specially, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes in arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other changes.

Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

**New and revised HKFRSs in issue but not yet effective**

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

| | |
|---|---|
| HKFRS 9 | *Financial Instruments*[1] |
| HKFRS 15 | *Revenue from Contracts with Customers and the related Amendements*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[4] |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |

| | |
|---|---|
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 28 | *As part of the Annual Improvements to HKFRSs 2014–2016 Cycle*[1] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2015–2017 Cycle*[2] |

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

## 3. REVENUE

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

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Blister copper | **1,285,166** | 943,461 |
| Copper cathodes | **494,288** | 335,409 |
| Copper-cobalt alloy | **3,861** | – |
| Sulfuric acid | **55,416** | 34,421 |
| | **1,838,731** | 1,313,291 |

## 4. SEGMENT INFORMATION

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

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

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

- Smelting – Production and sale of blister copper (including exploration and mining of sulfuric copper mines), copper-cobalt alloy and sulfuric acid which are produced using ISA smelting technology. Sulfuric acid is by-product in the production of blister copper.

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

**Segment revenue and results**

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

| | **Leaching** *US$'000* | **Smelting** *US$'000* | **Consolidated** *US$'000* |
|---|---|---|---|
| **For the year ended 31 December 2017** | | | |
| Total segment revenue | **505,037** | **1,365,344** | **1,870,381** |
| Less: inter-segment sales | **(10,749)** | **(20,901)** | **(31,650)** |
| Revenue from external customers | **494,288** | **1,344,443** | **1,838,731** |
| Segment profit | **140,233** | **102,116** | **242,349** |
| Unallocated income* | | | **3,501** |
| Unallocated expenses# | | | **(11,991)** |
| Profit for the year | | | **233,859** |

| | Leaching *US$'000* | Smelting *US$'000* | Consolidated *US$'000* |
|---|---|---|---|
| **For the year ended 31 December 2016** | | | |
| Total segment revenue | 340,747 | 997,196 | 1,337,943 |
| Less: Inter-segment sales | (5,338) | (19,314) | (24,652) |
| Revenue from external customers | 335,409 | 977,882 | 1,313,291 |
| Segment profit | 34,932 | 20,184 | 55,116 |
| Unallocated income* | | | 922 |
| Unallocated expenses# | | | (10,591) |
| Profit for the year | | | 45,447 |

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

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

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 year 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.

Inter-segment sales are charged at prevailing market rates.

**Segment assets and liabilities**

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Segment assets | | |
| – Leaching | **819,186** | 767,561 |
| – Smelting | **1,610,089** | 1,403,571 |
| Total segment assets | **2,429,275** | 2,171,132 |
| Unallocated assets* | **385,095** | 267,824 |
| Elimination | **(11,173)** | (9,215) |
| Consolidated total assets | **2,803,197** | 2,429,741 |
| Segment liabilities | | |
| – Leaching | **680,942** | 659,697 |
| – Smelting | **966,332** | 806,129 |
| Total segment liabilities | **1,647,274** | 1,465,826 |
| Unallocated liabilities* | **127,012** | 129,484 |
| Elimination | **(11,173)** | (9,215) |
| Consolidated total liabilities | **1,763,113** | 1,586,095 |

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

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

## 5. FINANCE COSTS

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Interest on bank and other borrowings | **36,103** | 35,701 |
| Unwinding of the discount | **415** | 524 |
| | **36,518** | 36,225 |
| Less: Amounts capitalised in construction in progress arose on the borrowings specifically for the purpose of qualifying assets | **(13,401)** | (13,814) |
| | **23,117** | 22,411 |
| The weighted average capitalisation rate used to determine the amount of borrowing costs arose on the borrowings specifically eligible for capitalisation (per annum) | **4.46%** | 3.49% |

## 6. OTHER GAINS AND LOSSES

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Foreign exchange (losses) gains, net | **(7,240)** | 3,440 |
| Gain (loss) on disposal of property, plant and equipment, net | **186** | (3,152) |
| Loss on impairment of trade receivables | **–** | (2,325) |
| Loss on impairment of input Value Added Tax (“**VAT**”) receivables | **(7,860)** | – |
| Gain arising on change in fair value of derivatives | **33,035** | 5,097 |
| | **18,121** | 3,060 |

## 7. INCOME TAX EXPENSE

Income tax expense recognised in profit or loss:

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Current tax: | | |
| – Income tax in The Republic of Ireland ("**Ireland**") | **3,937** | 1,928 |
| – Income tax in DRC | **29,208** | 9,268 |
| – Income tax in Zambia | **37,479** | 9,914 |
| | **70,624** | 21,110 |
| Deferred tax | | |
| – Current year | **14,744** | 2,540 |
| **Total income tax expense** | **85,368** | 23,650 |

Income tax in Ireland is calculated at 12.5% (2016: 12.5%) on the estimated assessable income.

Income tax in DRC is calculated at 30% (2016: 30%) on the estimated assessable income.

Income tax in Zambia is calculated at 35% (2016: 35%) on the assessable income, except for that arising from mining activities which is stated as below.

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

The Group enjoyed the following income tax incentives:

- CCS is eligible for the tax exemption for the first five profitable years; 50% income tax relief for the next three years thereafter; and 25% of income tax relief for the next two years thereafter. The tax incentives are applicable to the assessable profit generated from the two different phases of production facilities of CCS with different dates of commencement of the tax incentives. One of the phases of production facilities of CCS is under the third year of 50% income tax relief during the current year (2016: 50%). The remaining phase of production facilities of CCS is still under the tax holiday during the current year.

- SML was also granted ten-year income tax incentives of zero rate 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 two years. The applicable tax rate for SML for the year ended 31 December 2017 was 26.25% (2016: 17.5%).

Certain dividend income of CNMH from Zambian subsidiaries may be subject to income tax in Ireland at 12.5%.

In the opinion of the Company's Zambian counsel, no provision for withholding tax on the undistributed profit of the Zambian subsidiaries is required to be made before 2016. According to the new Convention between the Republic of Zambia and Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Tax on, which is effective on 1 January 2016, certain dividend paid by a company which is a resident of Zambia to a resident of Ireland may be taxed in Zambia according to tax law of Zambia, but as the beneficial owner of the dividends is a resident of Ireland, the tax so charged shall not exceed 7.5% of the gross amount of the dividends in Zambia.

CNMH enjoyed withholding tax incentive on the dividend income from CCS and the rate of withholding tax is zero per annum from 2013 to 2017.

Certain dividend income of CNMHK from DRC subsidiaries may be subject to income tax in DRC at a withholding tax rate of 10%.

## 8. DIVIDENDS

No dividend was paid, declared or proposed during the years ended 31 December 2017 and 2016.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2017 of US¢ 0.6124 per share amounting to approximately US$21,367,000 (2016: nil) has been proposed by the Directors and is subject to the approval of the shareholders of the Company in the forthcoming annual general meeting.

## 9. EARNINGS PER SHARE

| | **2017** | 2016 |
|---|---|---|
| Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share *(in US$'000)* | **142,428** | 11,832 |
| Number of ordinary shares for the purpose of basic and diluted earnings per share *('000)* | **3,489,036** | 3,489,036 |
| Earnings per share | | |
| – Basic and diluted | **US¢4.08/share** | US¢0.34/share |
| – Basic and diluted *(HKD equivalent)* | **HK$0.32/share** | HK$0.03/share |

During the years ended 31 December 2017 and 2016, there was no potential ordinary share outstanding with diluted impact.

## 10. INVENTORIES

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Raw materials | **237,285** | 200,182 |
| Spare parts and consumables | **81,458** | 76,019 |
| Work in progress | **48,097** | 32,504 |
| Finished goods | **16,740** | 8,119 |
| | **383,580** | 316,824 |

## 11. TRADE RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade receivables | **237,845** | 227,146 |
| Less: Allowance of doubtful debts | **(2,921)** | (2,921) |
| | **234,924** | 224,225 |

The following is an aged analysis of trade receivables, presented based on invoice dates, net of allowance for doubtful debts:

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| 0 to 30 days | **216,464** | 183,925 |
| 31 to 90 days | **15,587** | 29,160 |
| 91 to 180 days | **1,868** | 6,726 |
| 181 to 365 days | **417** | 3,410 |
| 1–2 years | **588** | 1,004 |
| | **234,924** | 224,225 |

The Group sells blister copper and copper cathodes under provisional pricing arrangements where final grades of copper, gold and silver in copper products are agreed based on third-party examination and final prices are set at the quotation period based on market prices. Revenues are recognised when the significant risks and rewards of ownership pass to the customer using past history of grades of copper, gold and silver in copper products based on internal examination statistics and forward prices for the expected date of final settlement.

Provisionally priced sales arrangements have the character of commodity derivatives which are included in the Group's trade receivables amounting to US$1,556,000 (an asset) as at 31 December 2017 (2016: US$27,024,000 (an asset)) and changes in fair value are recognised in profit or loss.

The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

## 12. TRADE PAYABLES

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

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| 0 to 30 days | **141,273** | 51,855 |
| 31 to 90 days | **20,166** | 58,740 |
| 91 to 180 days | **34,689** | 79,213 |
| 181 to 365 days | **15,548** | 53,360 |
| 1–2 years | **25,187** | 21,263 |
| Over 2 years | **28,802** | 11,554 |
| | **265,665** | 275,985 |

Provisionally priced purchase arrangements have the character of commodity derivatives which are included in the Group's trade payables amounting to US$647,000 (a liability) as at 31 December 2017 (2016: US$21,261,000 (a liability)) and changes in fair value are recognised in profit or loss.

## 13. BANK AND OTHER BORROWINGS

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Bank loans, unsecured | **1,020,660** | 857,410 |
| Loan from CNMC, unsecured | **1,077** | 1,077 |
| Loan from a fellow subsidiary, unsecured | **247,000** | 300,000 |
| | **1,268,737** | 1,158,487 |
| Carrying amount repayable:* | | |
| Within one year | **455,225** | 58,000 |
| More than one year, but not exceeding two years | **426,339** | 572,077 |
| More than two years, but not exceeding five years | **387,173** | 528,410 |
| | **1,268,737** | 1,158,487 |
| Less: Amounts shown under current liabilities | **(455,225)** | (58,000) |
| Non-current portion | **813,512** | 1,100,487 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

## 14. CONTINGENT LIABILITIES

In May 2017, Zambia Revenue Authority (the "**ZRA**") had performed a tax audit on CCS's VAT from February 2015 to December 2016 and required CCS to provide certain documents for the incentives of zero-rated output VAT arising from the blister copper exportations according to the requirements of "The Value Added Tax (General) Amendment (No. 2) Rule 18, 2015" ("**VAT Rule 18**") effective from 23 February 2015. According to the VAT Rule 18, to enjoy a zero-rated output VAT, CCS should produce (a) copies of export documents, (b) copies of import documents for the goods, bearing a certificate of importation into the country of the destination provided by the customs authority of the country of destination or copies of transit documents for goods bearing a certificate of transit provided by the customs authority of the country of transit, (c) tax invoice for the goods exported and (d) documentary evidence proving that payment for the goods had been made in the exporter's bank account in Zambia.

Although CCS has already provided the required information to ZRA, ZRA issued a letter dated 5 January 2018 with the VAT assessment amounting to ZMK559,115,000 (equivalent to approximately US$55,336,000, translated at the exchange rate prevailing at the issue date of the assessment letter) to CCS. ZRA considered that the import documents provided by CCS for the blister copper exported from February 2015 to June 2015 were not sufficient. CCS resubmitted additional information to ZRA on 15 February 2018 and received a letter dated 7 March 2018 from ZRA stating that no additional information will be required from CCS and the VAT assessment will not be enforced until the final decision is made. Up to the date of this report, the case is still pending for the final decision of ZRA. In the opinion of the Directors, it is not probable that CCS will need to pay the VAT assessment as the documents provided to ZRA could fulfil the requirements of VAT Rule 18, therefore no provision for the VAT assessment is required. Other than the output VAT incentives from February 2015 to June 2015, CCS was not queried about the output VAT incentives for the blister copper exportations by ZRA for other periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

In 2017, benefited from the increase in copper price, the Group seized the opportunity and carried out works including market development, internal cost management, quality and efficiency enhancement, and scientific and technological innovation, thus overfulfilled the annual objectives in production and operation.

During the reporting period, the production and sales volumes of the main products of the Company, being blister copper, copper cathodes and sulphuric acid, have increased. The revenue increased by 40.0% to US$1,838.7 million over the last year.

During the reporting period, the profit attributable to owners of the Company amounted to US$142.4 million, representing an increase of US$130.6 million over the last year, which is mainly due to the increase in copper price, the Company's strengthened management resulting in the increase in production and sales volumes and the decrease in unit cost of production.

Meanwhile, along with the construction of the planned projects including Chambishi Southeast Mine with an investment of US$830 million and the blister copper smelting project of Lualaba Copper Smelter SAS ("**Lualaba Copper Smelter**") with an investment of US$437.6 million, a solid foundation for the Group's business growth will be laid.

## 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 copper-cobalt alloy and sulphuric acid. Sulphuric acid is the by-product generated during the blister copper smelting process.

The businesses of the Group are carried out mainly through the following companies: NFCA, Luanshya, CCS and SML as well as Huachin Metal Leach SA ("**Huachin Leach**") and CNMC Huachin Mabende Mining SA ("**CNMC Huachin Mabende**") located in the DRC.

In 2017, blister copper and sulphuric acid produced by the Group amounted to 224,920 tonnes and 594,553 tonnes, representing an increase of 9.1% and 13.5% over last year, respectively. Copper cathodes produced amounted to 89,068 tonnes in total, representing an increase of 17.3% over last year. Revenue of the Group increased by 40.0% from US$1,313.3 million in 2016 to US$1,838.7 million in 2017.

## RESOURCES AND RESERVES

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

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

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

As at 31 December 2017, the Group's mineral resources and mineral reserves reported in accordance with the JORC Code were as follows:

### *(1) Resources*

*Chambishi Main Mine*

| | **31 December 2017** | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Average grade** | | | | Average grade | | |
| **JORC category** | **Ore** *(Mt)* | **Total copper** | **Oxide copper** | **Cobalt** | Ore *(Mt)* | Total copper | Oxide copper | Cobalt |
| Measured | **8.35** | **2.22%** | **–** | **–** | 8.46 | 2.21% | – | – |
| Indicated | **6.71** | **2.32%** | **–** | **–** | 6.89 | 2.32% | – | – |
| Inferred | **13.83** | **2.26%** | **–** | **–** | 13.85 | 2.26% | – | – |

*Note:* In 2017, 370,000 tonnes of ore was mined from Chambishi Main Mine.

*Chambishi West Mine*

| | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Average grade** | | | | Average grade | | |
| **JORC category** | **Ore** | **Total copper** | **Oxide copper** | **Cobalt** | Ore | Total copper | Oxide copper | Cobalt |
| | ***(Mt)*** | | | | *(Mt)* | | | |
| **Oxide ore** | | | | | | | | |
| Measured | **4.55** | **1.97%** | **0.90%** | **–** | 4.51 | 1.94% | 0.95% | – |
| Indicated | **0.95** | **1.97%** | **0.99%** | **–** | 0.98 | 1.84% | 0.90% | – |
| Inferred | **0.31** | **1.87%** | **0.93%** | **–** | 0.32 | 2.08% | 1.03% | – |
| **Sulphide Ore** | | | | | | | | |
| Measured | **11.40** | **2.14%** | **–** | **–** | 10.08 | 2.16% | – | – |
| Indicated | **4.68** | **2.16%** | **–** | **–** | 6.61 | 2.14% | – | – |
| Inferred | **6.95** | **2.08%** | **–** | **–** | 6.52 | 2.24% | – | – |

*Note:* In 2017, 1.13Mt of ore was mined from Chambishi West Mine.

*Chambishi Southeast Mine*

| | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Average grade** | | | | Average grade | | |
| **JORC category** | **Ore** | **Total copper** | **Oxide copper** | **Cobalt** | Ore | Total copper | Oxide copper | Cobalt |
| | ***(Mt)*** | | | | *(Mt)* | | | |
| Measured | **16.93** | **2.38%** | **–** | **0.10%** | 1.95 | 1.90% | – | 0.11% |
| Indicated | **32.34** | **2.03%** | **–** | **0.11%** | 28.60 | 1.90% | – | 0.11% |
| Inferred | **96.40** | **1.80%** | **–** | **0.10%** | 117.78 | 1.88% | – | 0.10% |

*Note:* In 2017, no mining activity was carried out in Chambishi Southeast Mine.

*Baluba Center Mine*

| | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Average grade | | | | Average grade | | |
| **JORC category** | **Ore** *(Mt)* | **Total copper** | **Oxide copper** | **Cobalt** | Ore *(Mt)* | Total copper | Oxide copper | Cobalt |
| **Oxide ore** | | | | | | | | |
| Measured | **–** | **–** | **–** | **–** | – | – | – | – |
| Indicated | **6.56** | **1.65%** | **1.14%** | **0.12%** | 6.56 | 1.65% | 1.14% | 0.12% |
| Inferred | **1.62** | **1.70%** | **0.93%** | **0.10%** | 1.62 | 1.70% | 0.93% | 0.10% |
| **Sulphide Ore** | | | | | | | | |
| Measured | **4.05** | **2.20%** | **0.08%** | **0.16%** | 4.05 | 2.20% | 0.08% | 0.16% |
| Indicated | **7.29** | **2.10%** | **0.08%** | **0.14%** | 7.29 | 2.10% | 0.08% | 0.14% |
| Inferred | **3.62** | **1.47%** | **0.06%** | **0.09%** | 3.62 | 1.47% | 0.06% | 0.09% |

*Note:* No exploration or mining activities were carried out in 2017.

*Muliashi North Mine*

| | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Average grade | | | | Average grade | | |
| **JORC category** | **Ore** *(Mt)* | **Total copper** | **Oxide copper** | **Cobalt** | Ore *(Mt)* | Total copper | Oxide copper | Cobalt |
| Measured | **16.45** | **1.10%** | **0.44%** | **0.02%** | 19.99 | 1.12% | 0.48% | 0.02% |
| Indicated | **15.25** | **1.01%** | **0.37%** | **0.02%** | 16.61 | 1.03% | 0.40% | 0.02% |
| Inferred | **21.18** | **0.98%** | **0.32%** | **0.01%** | 21.18 | 1.01% | 0.34% | 0.02% |

*Note:* Muliashi North Mine produced ore of 4.20Mt in 2017.

*Muliashi South Mine*

| JORC category | 31 December 2017 Ore (Mt) | Average grade Total copper | Oxide copper | Cobalt | 31 December 2016 Ore (Mt) | Average grade Total copper | Oxide copper | Cobalt |
|---|---|---|---|---|---|---|---|---|
| **Oxide ore** | | | | | | | | |
| Measured | **0.96** | **2.05%** | **1.22%** | **0.01%** | 1.17 | 2.02% | 1.23% | 0.01% |
| Indicated | **0.76** | **1.59%** | **0.66%** | **0.01%** | 0.87 | 1.59% | 0.69% | 0.01% |
| Inferred | **0.17** | **1.25%** | **0.46%** | **0.02%** | 0.17 | 1.25% | 0.46% | 0.02% |
| **Sulphide Ore** | | | | | | | | |
| Measured | **–** | **–** | **–** | **–** | – | – | – | – |
| Indicated | **0.60** | **2.48%** | **–** | **–** | 0.60 | 2.48% | – | – |
| Inferred | **0.08** | **2.50%** | **–** | **–** | 0.08 | 2.50% | – | – |

*Note:* Muliashi South Mine produced ore of approximately 310,000 tonnes in 2017.

*Mashiba Mine*

| JORC category | 31 December 2017 Ore (Mt) | Average grade Total copper | Oxide copper | Cobalt | 31 December 2016 Ore (Mt) | Average grade Total copper | Oxide copper | Cobalt |
|---|---|---|---|---|---|---|---|---|
| Measured | **3.17** | **1.89%** | **0.24%** | **0.02%** | 3.17 | 1.89% | 0.24% | 0.02% |
| Indicated | **5.67** | **1.96%** | **0.22%** | **0.03%** | 5.67 | 1.96% | 0.22% | 0.03% |
| Inferred | **4.97** | **1.67%** | **0.43%** | **0.04%** | 4.97 | 1.67% | 0.43% | 0.04% |

*Note:* No exploration or mining activities were carried out in 2017.

*Baluba East Mine*

| JORC category | 31 December 2017 Ore (Mt) | Average grade Total copper | Oxide copper | Cobalt | 31 December 2016 Ore (Mt) | Average grade Total copper | Oxide copper | Cobalt |
|---|---|---|---|---|---|---|---|---|
| Measured | **18.28** | **1.65%** | **0.07%** | **0.02%** | 6.40 | 1.90% | 1.00% | 0.02% |
| Indicated | **2.60** | **1.26%** | **0.22%** | **0.03%** | 27.64 | 0.77% | 0.31% | 0.03% |
| Inferred | **1.35** | **1.07%** | **0.17%** | **0.04%** | 3.27 | 1.03% | 0.37% | 0.04% |

*Note:* Stripping activity commenced in 2017.

*Mwambashi Mine*

| JORC category | 31 December 2017 Ore (Mt) | Average grade Total copper | Oxide copper | Cobalt | 31 December 2016 Ore (Mt) | Average grade Total copper | Oxide copper | Cobalt |
|---|---|---|---|---|---|---|---|---|
| Measured | **1.39** | **2.16%** | **1.05%** | **–** | – | – | – | – |
| Indicated | **4.88** | **1.96%** | **0.68%** | **–** | 6.99 | 2.02% | 0.82% | – |
| Inferred | **3.31** | **2.06%** | **0.48%** | **–** | 3.31 | 2.06% | 0.48% | – |

*Note:* Mwambashi Mine produced ore of 523,000 tonnes in 2017.

*Samba Mine*

| | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Average grade | | | | Average grade | | |
| **JORC category** | **Ore** *(Mt)* | **Total copper** | **Oxide copper** | **Cobalt** | Ore *(Mt)* | Total copper | Oxide copper | Cobalt |
| Measured | **–** | **–** | **–** | **–** | – | – | – | – |
| Indicated | **3.00** | **1.76%** | **–** | **–** | – | – | – | – |
| Inferred | **5.85** | **1.65%** | **–** | **–** | – | – | – | – |

*PE6307 Mine*

| | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Average grade | | | | Average grade | | |
| **JORC category** | **Ore** *(Mt)* | **Total copper** | **Oxide copper** | **Cobalt** | Ore *(Mt)* | Total copper | Oxide copper | Cobalt |
| Measured | **–** | **–** | **–** | **–** | – | – | – | – |
| Indicated | **0.13** | **–** | **3.18%** | **–** | – | – | – | – |
| Inferred | **–** | **–** | **–** | **–** | – | – | – | – |

*PE5276-B5 Mine*

| | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Average grade | | | | Average grade | | |
| **JORC category** | **Ore** *(Mt)* | **Total copper** | **Oxide copper** | **Cobalt** | Ore *(Mt)* | Total copper | Oxide copper | Cobalt |
| Measured | **0.04** | **–** | **3.26%** | **–** | – | – | – | – |
| Indicated | **0.14** | **–** | **1.86%** | **–** | – | – | – | – |
| Inferred | **0.04** | **–** | **1.79%** | **–** | – | – | – | – |

### *(2) Reserves*

*Chambishi Main Mine*

| JORC category | **31 December 2017** **Ore** *(Mt)* | **Average grade** **Total copper** | **Oxide copper** | **Cobalt** | 31 December 2016 Ore *(Mt)* | Average grade Total copper | Oxide copper | Cobalt |
|---|---|---|---|---|---|---|---|---|
| Proved | **4.26** | **1.68%** | **–** | **–** | 4.00 | 1.69% | – | – |
| Probable | **2.88** | **1.61%** | **–** | **–** | 2.08 | 1.63% | – | – |

*Chambishi West Mine*

| JORC category | **31 December 2017** **Ore** *(Mt)* | **Average grade** **Total copper** | **Oxide copper** | **Cobalt** | 31 December 2016 Ore *(Mt)* | Average grade Total copper | Oxide copper | Cobalt |
|---|---|---|---|---|---|---|---|---|
| **Oxide ore** | | | | | | | | |
| Proved | **2.33** | **1.84%** | **–** | **–** | 2.12 | 1.80% | 0.87% | – |
| Probable | **1.14** | **1.85%** | **–** | **–** | 0.64 | 1.78% | 0.81% | – |
| **Sulphide Ore** | | | | | | | | |
| Proved | **3.81** | **2.03%** | **–** | **–** | 4.24 | 2.02% | – | – |
| Probable | **11.98** | **1.92%** | **–** | **–** | 8.31 | 1.96% | – | – |

*Chambishi Southeast Mine*

| | **31 December 2017** | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Average grade** | | | | Average grade | | |
| **JORC category** | **Ore** *(Mt)* | **Total copper** | **Oxide copper** | **Cobalt** | Ore *(Mt)* | Total copper | Oxide copper | Cobalt |
| Proved | **13.46** | **2.02%** | **–** | **0.09%** | – | – | – | – |
| Probable | **21.75** | **1.76%** | **–** | **0.10%** | 37.72 | 1.81% | – | 0.08% |

*Baluba Center Mine*

| | **31 December 2017** | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Average grade** | | | | Average grade | | |
| **JORC category** | **Ore** *(Mt)* | **Total copper** | **Oxide copper** | **Cobalt** | Ore *(Mt)* | Total copper | Oxide copper | Cobalt |
| Proved | **2.30** | **1.38%** | **0.06%** | **0.04%** | 2.30 | 1.39% | 0.06% | 0.04% |
| Probable | **3.58** | **1.25%** | **0.11%** | **0.09%** | 3.58 | 1.24% | 0.11% | 0.09% |

*Muliashi North Mine*

| | **31 December 2017** | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Average grade** | | | | Average grade | | |
| **JORC category** | **Ore** *(Mt)* | **Total copper** | **Oxide copper** | **Cobalt** | Ore *(Mt)* | Total copper | Oxide copper | Cobalt |
| Proved | **12.69** | **1.11%** | **0.43%** | **0.02%** | 16.18 | 1.13% | 0.48% | 0.02% |
| Probable | **9.79** | **0.96%** | **0.37%** | **0.02%** | 11.12 | 0.99% | 0.41% | 0.02% |

*Muliashi South Mine*

| JORC category | **31 December 2017** Ore *(Mt)* | **Average grade** Total copper | Oxide copper | Cobalt | 31 December 2016 Ore *(Mt)* | Average grade Total copper | Oxide copper | Cobalt |
|---|---|---|---|---|---|---|---|---|
| Proved | **0.38** | **2.22%** | **1.61%** | **0.02%** | 0.68 | 2.21% | 1.56% | 0.02% |
| Probable | **0.14** | **1.83%** | **1.25%** | **0.01%** | 0.26 | 1.72% | 1.09% | 0.01% |

*Baluba East Mine*

| JORC category | **31 December 2017** Ore *(Mt)* | **Average grade** Total copper | Oxide copper | Cobalt | 31 December 2016 Ore *(Mt)* | Average grade Total copper | Oxide copper | Cobalt |
|---|---|---|---|---|---|---|---|---|
| Proved | **6.38** | **1.81%** | **0.95%** | **0.02%** | 6.38 | 1.81% | 0.95% | 0.02% |
| Probable | **27.57** | **0.73%** | **0.30%** | **0.03%** | 27.57 | 0.73% | 0.30% | 0.03% |

*Mashiba Mine*

| JORC category | **31 December 2017** Ore *(Mt)* | **Average grade** Total copper | Oxide copper | Cobalt | 31 December 2016 Ore *(Mt)* | Average grade Total copper | Oxide copper | Cobalt |
|---|---|---|---|---|---|---|---|---|
| Proved | **2.66** | **1.35%** | **0.17%** | **–** | 2.66 | 1.35% | 0.17% | – |
| Probable | **4.76** | **1.40%** | **0.16%** | **–** | 4.76 | 1.40% | 0.16% | – |

*Mwambashi Mine*

| JORC category | 31 December 2017 Ore (Mt) | 31 December 2017 Average grade Total copper | 31 December 2017 Average grade Oxide copper | 31 December 2017 Cobalt | 31 December 2016 Ore (Mt) | 31 December 2016 Average grade Total copper | 31 December 2016 Average grade Oxide copper | 31 December 2016 Cobalt |
|---|---|---|---|---|---|---|---|---|
| Proved | **6.38** | **2.02%** | **0.82%** | **–** | 6.99 | 2.02% | 0.82% | – |
| Probable | **3.31** | **2.06%** | **0.48%** | **–** | 3.31 | 2.06% | 0.48% | – |

*Samba Mine*

| JORC category | 31 December 2017 Ore (Mt) | 31 December 2017 Average grade Total copper | 31 December 2017 Average grade Oxide copper | 31 December 2017 Cobalt | 31 December 2016 Ore (Mt) | 31 December 2016 Average grade Total copper | 31 December 2016 Average grade Oxide copper | 31 December 2016 Cobalt |
|---|---|---|---|---|---|---|---|---|
| Proved | **8.85** | **1.69%** | **–** | **–** | – | – | – | – |
| Probable | **3.32** | **1.57%** | **–** | **–** | – | – | – | – |

*PE6307 Mine*

| JORC category | 31 December 2017 Ore (Mt) | 31 December 2017 Average grade Total copper | 31 December 2017 Average grade Oxide copper | 31 December 2017 Cobalt | 31 December 2016 Ore (Mt) | 31 December 2016 Average grade Total copper | 31 December 2016 Average grade Oxide copper | 31 December 2016 Cobalt |
|---|---|---|---|---|---|---|---|---|
| Proved | **–** | **–** | **–** | **–** | – | – | – | – |
| Probable | **0.74** | **–** | **3.18%** | **–** | – | – | – | – |

*PE5276-B5 Mine*

| JORC category | **31 December 2017** Ore *(Mt)* | **Average grade** Total copper | Oxide copper | Cobalt | 31 December 2016 Ore *(Mt)* | Average grade Total copper | Oxide copper | Cobalt |
|---|---|---|---|---|---|---|---|---|
| Proved | **–** | **–** | **–** | **–** | – | – | – | – |
| Probable | **0.04** | **–** | **2.35%** | **–** | – | – | – | – |

## PRODUCTION OVERVIEW

### NFCA

NFCA mainly operates two mines, namely the Chambishi Main Mine and the Chambishi West Mine and the respective ancillary processing plants.

In 2017, copper contained in copper concentrates produced by NFCA amounted to 29,699 tonnes, representing an increase of 10.5% over the same period in the previous year. Such increase was primarily attributable to the increase in ore processing volume and ore grade.

The Chambishi Main Mine and Chambishi West Mine of NFCA produced ore of 0.37 million tonnes and 1.13 million tonnes, respectively, during 2017.

### Luanshya

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

Baluba Center Mine remained under maintenance and suspension of production in 2017 (for more details, please refer to the announcement of the Company dated 8 September 2015 on **suspension of production of Baluba Center Mine and Slag Copper Recovery Project of Luanshya due to inadequate electricity supply**). In particular, Slag Copper Recovery Project has resumed production since April 2017 and the total copper contained in copper concentrates produced amounted to 2,401 tonnes. Baluba Center Mine is preparing for resumption of production.

The Muliashi Project produced 41,292 tonnes of copper cathode, representing an increase of 19.7% over the same period in the previous year, mainly attributable to the increase in production of heap leaching.

The Muliashi North Mine and the Muliashi South Mine produced ore of 4.20 million tonnes and 0.31 million tonnes respectively in 2017.

**CCS**

CCS mainly operates the Chambishi Smelting Plant.

In 2017, blister copper and sulphuric acid produced by CCS amounted to 224,920 tonnes and 594,553 tonnes, representing increases of 9.1% and 13.5%, respectively, over the same period in the previous year. It was mainly attributable to the sufficient supply of raw materials and a higher production loading rate. In 2017, the Company dedicated to enhance the integration of material procurements and product sales in Zambia and DRC, as such, the production of blister copper and sulphuric acid increased steadily.

**SML**

SML mainly operates Mwambashi Mine and the Chambishi Leach Plant.

Copper cathode produced by SML in 2017 amounted to 5,513 tonnes, representing an increase of 5.7% over the same period in the previous year. Processing plants under SML produced 2,625 tonnes of copper contained in copper concentrates in 2017, representing an increase of 67.7% over the same period in the previous year, mainly attributable to the guaranteed supply of raw materials as a result of the continuous supply from Mwambashi Mine in 2017 as well as the increase in the volumes of ore processed, the grade of sulphide ore and the recovery rate of copper metal.

**CNMC Huachin Mabende**

CNMC Huachin Mabende produced 30,205 tonnes of copper cathodes, representing an increase of 25.2% over the same period in the previous year, mainly attributable to the sufficient supply of raw materials and the enhanced production organization and management.

**Huachin Leach**

Huachin Leach accumulatively produced 12,059 tonnes of copper cathodes, remaining basically flat as compared to last year.

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

| | **Production volume for 2017[(1), (2)]** | Production volume for 2016[(1)] | Year-on-year growth/ (decrease) |
|---|---|---|---|
| | ***(Tonnes)*** | *(Tonnes)* | *(%)* |
| Copper concentrate | **34,725** | 28,436 | 22.1 |
| Blister copper | **224,920** | 206,217 | 9.1 |
| Copper cathodes | **89,068** | 75,903 | 17.3 |
| Copper- cobalt alloy | **1,219** | – | – |
| Sulphuric acid | **594,553** | 523,906 | 13.5 |

*Notes:*

(1) The production volumes of all the products are on a contained-copper basis, except for sulphuric acid and copper-cobalt alloy.

(2) The copper-cobalt alloy production contains approximately 373 tonnes of copper and approximately 123 tonnes of cobalt.

## EXPLORATION, DEVELOPMENT AND MINING COST OF THE GROUP

Expenses of exploration, development, and mining activities of the Group for the year ended 31 December 2017 are set out below:

| | NFCA | | | | Luanshya | | | SML | CNMHK | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Unit: Million US dollars* | Chambishi Main Mine | Chambishi West Mine | Chambishi Southeast Mine | Baluba Center Sulphide Mine | Muliashi North Mine | Muliashi South Mine | Baluba East Mine | Mwambashi Mine | Huachin Leach PE6307 Mine | CNMC Huachin Mabende PE5276-B5 Mine | Total |
| **Exploration activities** | | | | | | | | | | | |
| Drilling and analysis | – | 1.97 | 1.73 | – | – | – | – | – | 0.04 | – | 3.74 |
| Others | – | – | 0.02 | – | – | – | – | – | 0.20 | – | 0.22 |
| **Sub-total** | **0.00** | **1.97** | **1.75** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.24** | **0.00** | **3.96** |
| **Development activities (including mine construction)** | | | | | | | | | | | |
| Purchases of assets and equipment | – | 16.8 | 27.77 | – | – | – | – | – | – | – | 44.57 |
| Civil work for construction of tunnels and roads | – | – | 85.72 | – | 0.66 | – | – | – | – | – | 86.38 |
| Staff cost | – | – | 3.77 | – | – | – | – | – | – | – | 3.77 |
| Others | – | 1.41 | 55.01 | – | – | 0.02 | 5.66 | – | – | – | 62.10 |
| **Sub-total** | **0.00** | **18.21** | **172.27** | **0.00** | **0.66** | **0.02** | **5.66** | **0.00** | **0.00** | **0.00** | **196.82** |
| **Mining activities (excluding ore processing)** | | | | | | | | | | | |
| Staff cost | 1.02 | 3.13 | – | – | 0.2 | – | – | 0.27 | – | 0.52 | 5.14 |
| Consumables | – | – | – | – | 1.27 | 0.2 | – | 0.41 | – | 0.57 | 2.45 |
| Fuel, electricity, water and others services | 2.01 | 6.16 | – | – | – | – | – | 0.37 | – | 0.7 | 9.24 |
| On-site and remote system management | – | – | – | – | – | – | – | – | – | – | 0.00 |
| Non-income taxes, royalties and other government expenses | – | – | – | – | – | – | – | – | – | – | 0.00 |
| Others | 4.04 | 12.35 | – | – | – | – | – | 1.17 | – | 5.77 | 23.33 |
| Sub-contracting charges | 13.42 | 41.02 | – | – | 17.12 | 3.11 | – | 4.88 | – | – | 79.55 |
| Depreciation | 0.43 | 1.3 | – | – | 43.26 | 3.07 | – | 4.57 | – | 0.58 | 53.21 |
| **Sub-total** | **20.92** | **63.96** | **0.00** | **0.00** | **61.85** | **6.38** | **0.00** | **11.68** | **0.00** | **8.14** | **172.93** |

## MINING EXPLORATION, MINING DEVELOPMENT AND ORE MINING ACTIVITIES

### Mining Exploration

During 2017, NFCA and Luanshya, subsidiaries of the Company, conducted mining exploration for production and exploration purposes, respectively. In particular:

In Chambishi Southeast Mine, 175 geological drilling holes in the pit were completed with 14,862m drilled, of which, 98 drilling holes were completed with 8,246m drilled in North First Quarry, and 77 drilling holes were completed with 6,617m drilled in South First Quarry. 5 surface drilling holes were completed with 3,352m drilled, and 66 drilling holes in the pit were completed with 8,503m drilled in Chambishi West Mine.

Luanshya conducted exploration, drilling and platform trenches. In particular, supplemental exploration was conducted at Baluba East Mine and the near surface oxide mine located between Muliashi South and West Mines and Mashiba Mine, and preliminary exploration was conducted at Baluba West Mine, during which 42 surface drilling holes with the drilling footage of 3,028.53m were completed. At Muliashi North Strip Mine and Muliashi South Strip Mine, 28 platform trenches for production and exploration purposes were completed with a total length of 1,896m and a total capacity of 928$m^3$.

### Mining Development

For details of mining development please refer to "Projects Under Progress" on pages 35 to 37.

### Mining Activities

For details of mining activities, please refer to "Production Overview" on pages 30 to 32.

### Infrastructure projects, subcontracting arrangements and procurement of equipment

During 2017, the new contracts entered into by the Group are as follows:

***NFCA***

The new infrastructure project contracts executed in 2017 amounted to approximately US$99.4 million.

No subcontracting arrangements were entered into by the Group during 2017*.

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

During 2017, contracts which amounted to approximately US$110.2 million were entered into by the Group for purchase of equipment related to mining exploration, mining development and mining activities, including equipment for mining, transportation, processing, drainage, soil discharge, electricity, laboratory, and etc.

## PROJECTS UNDER PROGRESS

### NFCA

***The Integrating Exploration and Construction Project of the Chambishi Southeast Mine***

This project is currently under development and is one of the key development mine projects of the Company with a designed ore processing capacity of 3,300,000 tonnes per annum and a production capacity of copper contained in copper concentrates of approximately 63,000 tonnes per annum. Its aggregate planned investments amounted to US$830 million. In 2017, underground and overground constructions of the project have fully commenced and progressed smoothly. Since the commencement of construction, its accumulative drilling volume of wells and tunnels was 29,678.3m/616,387.2$m^3$ by the end of 2017. During 2017, it drilled 175 holes in the pit with the drilling depth of 14,863m. The drilling footage of the southern and northern mining areas was 24,219.8m in total since the commencement of construction. In 2017, the completed investments for the year amounted to US$86.4 million. As at the end of 2017, an accumulative project investment of US$518.97 million was made representing approximately 62.5% of the total planned investment. The main part of the project is expected to be completed in the third quarter of 2018.

### SML

***Mwambashi Strip Mine project***

This project comprises a strip mine with designed capacity of 600,000 tonnes of ores per annum and a processing plant with a daily capacity of 2,000 tonnes. The construction commenced in September 2013. The total investment amount is US$71.6 million. Since May 2015, the strip mine started trial production with parallel arrangement of stripping and mining and it completed construction and commenced formal production at the end of June 2016. In line with the strip mine with an annual capacity of 600,000 tonnes of ores, a processing plant with a daily capacity of 2,000 tonnes will be built by reconstructing and expanding the original processing plant with a daily capacity of 1,000 tonnes with a total planned investment amount of US$8.8 million. As of 31 December 2017, an accumulative investment of US$4.8623 million had been completed, representing 55.0% of the total planned investment. Commencing in April 2016, such reconstruction and expansion project was completed and put into single commissioning in late September 2017. It was put into the pilot linkage production at the end of September 2017 and the pilot feeding operation on 13 October 2017, respectively.

## CCS

### *Tailings Pond Phase II Project*

The tailings pond project phase II will be used to support a smelting project phase II with an output of 250,000 tonnes. With a total planned investment of US$10.00 million, such project commenced on 1 May 2017 and would last for 15 months. Three rolled earth-rock dams would be built on three sides with the eastern dam being shared with the tailings pond phase I. The dam top elevation and highest dam height was 1,250m and 20m, respectively. It covered an area of 350,000$m^2$ with a capacity of 3,000,000$m^3$, which was sufficient for stockpiling for a period of 10 years. As of 31 December 2017, the construction of the main part and an accumulative investment amount of US$4.8 million had been completed, representing 48.3% of the total planned investment.

### *The Liquid Sulphur Dioxide Project*

This project was planned to produce liquid sulphur dioxide with smelting by-products and existing public facilities and to achieve a scale of an annual output of 16,500 tonnes of liquid sulphur dioxide with a proposed aggregate investment of US$9.6 million. As approved by the Board in September 2016, CCS conducted an economic feasibility study on this project. Having taken into consideration the better sulfuric acid market in the country where the operation is located and the decrease in the market price of liquid sulphur dioxide, the Company decided with prudence to call a halt to this project.

## Lualaba Copper Smelter

### *Blister Copper Smelting Project*

A copper concentrate (dry) smelting project with an annual capacity of 400,000 tonnes would be constructed to produce approximately 118,000 tonnes of blister copper per annum. With an investment budget of US$437.6 million, the construction of such project was scheduled to commence on 28 March 2018 and would last for two years. By the end of 2017, the land levelling in the living quarters within the plant progressed smoothly, the road subgrade project outside the plant had been completed and various civil construction preparations had been ready for the commencement of construction.

### *Cobalt Recycling System Project*

This project was a sub-system of the copper concentrate (dry) and blister copper smelting project with an annual capacity of 400,000 tonnes. It would produce 10,000 tonnes of copper-cobalt alloy per annum and had an investment budget of US$33.1 million. Such project will be constructed along with the blister copper smelting project.

## Kambove Mining SAS ("Kambove Mining")

### *Kambove Exploration Project*

The Company had obtained an exploration right covering 3,058.2 hectares and an abandonment right covering 509.7 hectares, and had completed the exploration activities concerning the bottom and walls of the open pit of the main orebody of Kambove as well as the field exploration by means of drilling holes. In addition, MSESA mineral deposit, KIBINDJI tailings and the western mine are currently carrying out further exploration.

In addition, the Group conducted research on the development of new mining exploration and mining projects in the Zambia and DRC to actively expand its resource reserves and enhance its smelting production capacity, so as to secure the 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 products of the Group during the years indicated.

| | For the year ended 31 December | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | | | | 2016 | | | |
| | **Sales Volume[(1), (2)]** | **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 | **225,208** | **5,707** | **1,285,166** | **69.9** | 206,380 | 4,571 | 943,461 | 71.8 |
| Copper cathodes | **87,860** | **5,626** | **494,288** | **26.9** | 77,672 | 4,318 | 335,409 | 25.5 |
| Copper-cobalt alloy | **778** | **4,962** | **3,861** | **0.2** | – | – | – | – |
| Sulphuric acid | **399,859** | **139** | **55,416** | **3.0** | 297,476 | 116 | 34,421 | 2.7 |
| Total | | | **1,838,731** | **100.0** | | | 1,313,291 | 100.0 |

*Note:*

(1) The sales volumes of all the products (except for sulphuric acid and copper-cobalt alloy) are on a contained-copper basis.

(2) The copper-cobalt alloy production contains approximately 238 tonnes of copper and approximately 78 tonnes of cobalt.

## Revenue

The revenue of the Group increased by 40.0% from US$1,313.3 million in 2016 to US$1,838.7 million in 2017. In 2017, the Group's revenue generated from blister copper, copper cathode, copper-cobalt alloy and sulphuric acid accounted for 69.9%, 26.9%, 0.2% and 3.0%, respectively, of the total revenue.

The revenue from blister copper increased by 36.2% from US$943.5 million in 2016 to US$1,285.2 million in 2017, mainly due to the increase in international copper prices and sales volume. Sales volume of blister copper increased by 9.1% to 225,208 tonnes in 2017 as compared to that in 2016.

The revenue from copper cathode increased by 47.4% from US$335.4 million in 2016 to US$494.3 million in 2017, mainly due to the increase in international copper prices and sales volume. Sales volume of copper cathode increased by 13.1% from 77,672 tonnes in 2016 to 87,860 tonnes in 2017.

The revenue from sulphuric acid increased by 61.0% from US$34.4 million in 2016 to US$55.4 million in 2017, primarily attributable to the increase in the production volume of blister copper in 2017 as compared with that in 2016, which in turn increased the production volume of sulphuric acid, a by-product generated during the production of blister copper, the sales volume of which increased by 34.4% from 297,476 tonnes in 2016 to 399,859 tonnes in 2017. At the same time, the unit selling price of sulphuric acid increased by 19.8% from US$116 in 2016 to US$139 in 2017.

## Cost of sales

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

| | **For the year ended 31 December** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | | | | 2016 | | | |
| | **Cost of sales** | **Unit cost of sales** | **Gross profit** | **Gross profit margin** | Cost of sales | Unit cost of sales | Gross profit | Gross profit margin |
| | ***(US$'000)*** | ***(US$ per tonne)*** | ***(US$'000)*** | ***(%)*** | *(US$'000)* | *(US$ per tonne)* | *(US$'000)* | *(%)* |
| Blister copper | **1,117,049** | **4,960** | **168,117** | **13.1** | 833,145 | 4,037 | 110,316 | 11.7 |
| Copper cathodes | **273,910** | **3,118** | **220,378** | **44.6** | 270,379 | 3,481 | 65,030 | 19.4 |
| Copper-cobalt alloy | **4,282** | **5,503** | **(421)** | **-10.9** | – | – | – | – |
| Sulphuric acid | **11,542** | **29** | **43,874** | **79.2** | 9,854 | 33 | 24,567 | 71.4 |
| Total | **1,406,783** | | **431,948** | **23.5** | 1,113,378 | | 199,913 | 15.2 |

The cost of sales of the Group increased by 26.4% from US$1,113.4 million in 2016 to US$1,406.8 million in 2017, primarily due to the increased total costs as a result of the increased sales volume of blister copper, copper cathode and sulphuric acid. In addition, the increase in copper price also led to a higher purchasing cost of copper concentrate used as raw material for the production of blister copper.

The cost of sales of blister copper increased by 34.1% from US$833.1 million in 2016 to US$1,117.0 million in 2017, primarily due to the increase in the sales volume of blister copper and the higher purchase price of copper concentrate attributable to the increase in international copper prices.

The cost of sales of copper cathode increased by 1.3% from US$270.4 million in 2016 to US$273.9 million in 2017, primarily due to a significant increase of 13.1% in the sales volume of copper cathode.

The cost of sales of sulphuric acid increased by 16.2% from US$9.9 million in 2016 to US$11.5 million in 2017, primarily due to the increase of 34.4% in sales volume of sulphuric acid.

**Gross profit and gross profit margin**

The Group recorded a gross profit of US$431.9 million in 2017, representing an increase of 116.1% from US$199.9 million in 2016. The gross profit margin increased from 15.2% in 2016 to 23.5% in 2017. In particular:

The gross profit margin of blister copper increased from 11.7% in 2016 to 13.1% in 2017, primarily attributable to a smaller increment in unit cost of sales than that in copper price.

The gross profit margin of copper cathode increased from 19.4% in 2016 to 44.6% in 2017, primarily due to the increase in international copper prices and decrease in unit cost of sales.

The gross profit margin of sulphuric acid increased from 71.4% in 2016 to 79.2% in 2017, primarily due to the increase in the average selling price of sulphuric acid.

**Distribution and selling expenses**

The distribution and selling expenses of the Group increased by 63.6% from US$28.3 million in 2016 to US$46.3 million in 2017. This is mainly because more sulphuric acid in 2017 was sold to the DRC due to an intensified competition in Zambia sulphuric acid market, which resulted in a substantial increase in freight expense.

**Administrative expenses**

The administrative expenses of the Group increased by 15.3% from US$46.3 million in 2016 to US$53.4 million in 2017, primarily due to increased expenses in response to increased production volume as a result of expanded production.

**Finance costs**

The finance costs of the Group increased by 3.1% from US$22.4 million in 2016 to US$23.1 million in 2017, primarily due to increased financing scale.

**Other Expenses**

Other expenses of the Group mainly included maintenance charges incurred by the suspension of production of the Baluba Mine of Luanshya in 2017.

**Other gains and losses**

Other gains and losses of the Group increased by US$15.0 million from a net gain of US$3.1 million in 2016 to US$18.1 million in 2017, mainly due to the increase in gains from change in fair value of derivatives arising from provisionally priced sales arrangements.

**Income tax expense**

The income tax expenses of the Group increased by US$61.7 million from US$23.7 million in 2016 to an expense of US$85.4 million in 2017, mainly due to the substantial increase in profit before tax in 2017 as compared to that of 2016.

**Profit and net profit margin attributable to owners of the Company**

As a result of the foregoing, the profit attributable to owners of the Company increased significantly by US$130.6 million from US$11.8 million in 2016 to a profit of US$142.4 million in 2017. The profit margins attributable to owners of the Company (being the profit attributable to the owners of the Company as a percentage of revenue) were 0.9% in 2016 and 7.7% in 2017, respectively.

# LIQUIDITY AND CAPITAL RESOURCES

## Cash flows

***Net cash flows generated from operating activities***

Cash inflows generated from operating activities are primarily attributable to the sales revenue of copper and sulphuric acid products and cash outflows are primarily attributable to various operating expenses. Net cash flows generated from the operating activities of the Group increased by 175.5% from an inflow of US$121.9 million in 2016 to an inflow of US$335.8 million in 2017, primarily attributable to the increase in both sales volume and product prices as compared to those in the corresponding period last year.

***Net cash flows used in investing activities***

Cash outflows used in investing activities are mainly for the purchase of properties, plants and equipment for copper production. The net cash flows used in investing activities of the Group increased by 262.9% from an outflow of US$56.3 million in 2016 to an outflow of US$204.3 million in 2017, primarily attributable to increased investments in the project of the Southeast Mine of NFCA.

***Net cash flows generated from financing activities***

The cash inflows generated from financing activities primarily consist of new bank borrowings and other borrowings. The cash outflows from financing activities primarily consist of repayments for bank borrowings, payments of dividends and interest payments. The net cash flows generated from financing activities of the Group decreased by US$22.5 million from an inflow of US$59.7 million in 2016 to an inflow of US$37.2 million in 2017, primarily due to increase in dividend distributed to non-controlling shareholders in 2017.

## Bank balances and cash

The Group's bank balances and cash (including cash, time deposits and demand deposits) increased by US$169.7 million from US$685.3 million as at 31 December 2016 to US$855.0 million as at 31 December 2017.

## Trade receivables

The trade receivables of the Group increased by US$10.7 million from US$224.2 million as at 31 December 2016 to US$234.9 million as at 31 December 2017, which was due to the increase in sales volume of copper products and the rises in the international copper prices in 2017.

### Inventories

The inventories held by the Group increased by US$66.8 million from US$316.8 million as at 31 December 2016 to US$383.6 million as at 31 December 2017. In particular, raw materials and spare parts and consumables of the Group as at 31 December 2017 increased by US$42.5 million as compared with that of 31 December 2016, work in process increased by US$15.7 million and finished products increased by US$8.6 million. The increase in raw materials was mainly due to significantly increased inventory of ores in DRC in order to meet production plans and changes in the market.

### Trade payables

Trade payables of the Group decreased by US$10.3 million from US$276.0 million as at 31 December 2016 to US$265.7 million as at 31 December 2017, mainly due to the decrease in the payables arising from procurement of copper concentrate.

### Capital expenditure

| | For the year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***(US$'000)*** | *(US$'000)* |
| Mining and ore processing facilities at Chambishi Southeast Mine of NFCA | **141,731** | 83,849 |
| Other mining and ore processing facilities of NFCA | **48,436** | 3,796 |
| Mining and ore processing facilities at Luanshya (Baluba Center Mine) | **7,203** | 1,576 |
| Mining and leaching facilities at Luanshya (Muliashi Project) | **661** | 9,971 |
| Smelting facilities at CCS | **12,055** | 4,122 |
| Leaching facilities at SML | **5,556** | 1,916 |
| Leaching facilities at Huachin Leach | **4,210** | 2,366 |
| Mining rights and leaching facilities at CNMC Huachin Mabende | **3,890** | 5,967 |
| Smelting facilities at Lualaba Copper Smelter | **4,503** | – |
| Mining and the processing facilities at Kambove Mining | **335** | – |
| Total | **228,580** | 113,563 |

The total capital expenditure of the Group increased by US$115.0 million from US$113.6 million in 2016 to US$228.6 million in 2017, mainly due to the investment increase in the  Southeast Mine and Lualaba Copper Smelter projects .

**Principal risks and uncertainties**

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

**Copper price affects the business, cash flow and profit of the Group**

The sharp fluctuation of copper price mainly reflects the change in supply and demand of copper products, the market uncertainty and other factors which are out of control of the Group, including but not limited to the overall economic situation, political unrest, armed conflicts, terrorist acts, economic condition in major copper producing countries, availability of other metals, regulations of governments both onshore and offshore, natural disasters and weather conditions. Price fluctuation will have a material impact on the business, cash flow and revenue of the Group.

Low copper price may have a negative impact on the business, revenue and profit of the Group, which will lead the Group to write off reserves and other assets with relatively higher cost, or to reduce the production volume of economic copper and terminate the existing unprofitable contracts. The consistently low copper price will affect the long-term project investment strategy and operational capacity of the Group.

**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 arrangements 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 business in Zambia and the DRC and most of its sales and purchases in the past were denominated in US dollar, its functional currency, while certain sales and purchases were settled in currencies other than its functional currency (mainly ZMK, Congolese Franc and RMB), which exposed the Group to foreign currency risk. To mitigate such risk, the Group engaged in foreign currency exchange hedging activities through various methods including locking the signing and settlement currency and speeding up tax rebates.

### Interest rate risk

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

### Human resources

As of 31 December 2017, the Group employed a total of 5,612 employees (as of 31 December 2016: 5,651 employees), which comprised 596 foreign and 5,016 local employees in Zambia and the DRC. Employees' remuneration was determined by the Group based on their performance, experience and the prevailing market practice. For the year ended 31 December 2017, the total cost of employees reflected in the consolidated statement of profit or loss and other comprehensive income amounted to approximately US$71.3 million (2016: US$67.2 million).

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

Saved as disclosed in this annual results announcement, there were no other significant investments held, material acquisitions or disposals of subsidiaries during the year ended 31 December 2017. Apart from those disclosed in this annual results announcement, there was no plan approved by the Board for other material investments or acquisition of capital assets as at the date of this annual results announcement.

### Charge on assets

As at 31 December 2017 and 2016, no assets of the Group were pledged.

### Gearing ratio

As at 31 December 2017, the gearing ratio was 45.9% (as at 31 December 2016: 66.4%) which is calculated by the net debts (being bank and other borrowings minus bank balances and cash, and restricted bank balances) divided by the total equity attributable to owners of the Company.

### Contingent liabilities

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

## 2018 OUTLOOK

In 2018, the US and the PRC, the world's top two economies each maintained steady and positive economic growth, despite plenty of challenges faced by the global economy. After a six-year-long period of profound adjustments in the bulk commodity market, the prices of base metals such as copper started to rebound. With an upward trend in the economy and a more balanced supply-demand, the copper price remains promising in the long-term.

In 2018, the Group will continue to follow its own development strategy. It will keep increasing investments in geological exploration and development, pay high attention to and more efforts in expanding the exploration areas, as well as exploring the surrounding areas and in the depth of the existing mines, especially in the region of Kambove, DRC. Meanwhile, the Group will continue to identify suitable acquisition targets in regions with rich copper resources such as Zambia and the DRC, with an aim to increase the Group's resources.

The Group will continue to improve the operational efficiency of its existing mines and smelters through optimizing the internal value chain management, promoting the integration construction of production, supply and marketing in the same region, intensifying cost control and other modern management methods, so as to continuously enhance the Group's profitability. The Group will continue to pay due efforts in its mining activities in underground mines (including Chambishi Main Mine and Chambishi West Mine in Zambia) and the Muliashi Strip Mine and Mwambashi Strip Mine Project in Zambia and Silver Back Resources (SBR) Strip Mine in DRC, so as to increase the production volume of copper concentrate and oxide ore from its own mines. Great efforts will be put in the management of the technology of CCS, Muliashi Leaching and Smelting and SML in Zambia and Huachin Leach and CNMC Huachin Mabende in DRC so as to promote the standardised production and improve the output and quality of blister copper, copper cathode and sulphuric acid, with a view to further increasing the operating efficiency and profit from the existing production capacity.

The Group will keep its emphasis on the construction of key projects and continue to expedite the exploration in Chambishi Southeast Mine with a view to ensuring the commencement of operation in the third quarter of 2018. It will also concentrate on the blister copper smelting project in DRC, in hope of enhancing efficiency and providing new production sources for the Company.

In an effort to consistently follow the development philosophy of "innovative, coordinated, green, open and shared", the Group will constantly improve the working environment, ensure production safety and efficiency, and bring good returns to the shareholders while committing itself to fulfilling its corporate social responsibility, according to the requirements of the Environmental, Social and Governance Reporting Guide.

## OTHER INFORMATION

### DIVIDEND

During the years ended 31 December 2017 and 2016, no dividends had been paid, declared or proposed.

Subsequent to the reporting period, the Board proposed payment of 2017 final dividend of US¢ 0.6124 per share ("**Final Dividend**"). The proposed Final Dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company (the "**AGM**") and payable in Hong Kong dollars which will be calculated at the market exchange rate on 15 June 2018 to shareholders whose names appear on the register of members of the Company at the close of business on 22 June 2018.

### ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on Friday, 15 June 2018. Notice of the AGM will be published and issued to shareholders in due course.

### CLOSURE OF REGISTER OF MEMBERS

#### For the AGM

The share register of the Company will be closed from Tuesday, 12 June 2018 to Friday, 15 June 2018 (both days inclusive), during which no transfer of shares will be effected. Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Monday, 11 June 2018 will be entitled to attend and vote at the AGM. In order to be entitled to attend the AGM, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 11 June 2018.

**For Final Dividend**

The distribution of the Final Dividend recommended by the Board is subject to approval by shareholders at the forthcoming AGM. The Register of Members of the Company will be closed on Friday, 22 June 2018. To be qualified to receive the Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 21 June 2018.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company had made specific enquiry to all the Directors and confirmed that all of them have complied with the Model Code for the year ended 31 December 2017.

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

As at 31 December 2017, none of the Directors or chief executive had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Division 7 and 8 at the Part XV of the SFO; or interest or short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests or short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

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

As at 31 December 2017, so far as it is known to the Director and chief executive of the Company, interests or short positions which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 at the Part XV of the SFO is as follows:

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

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

As at 31 December 2017, each of the following entities were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of any other members of the Group:

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

* *Translation of English terms for reference purposes only*

Save as disclosed above, as at 31 December 2017, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## CORPORATE GOVERNANCE

Save as disclosed in the 2017 interim report of the Company, Mr. Xinghu Tao serves as the Chairman and President of the Company with effect from 20 April 2015 which is at variance with code provision A.2.1 of the Corporate Governance Code, none of the Directors is aware of any information which would reasonably indicate that the Company has not, for any part of the year ended 31 December 2017, complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Appendix 14 of the Listing Rules.

The Board had been searching for a suitable candidate to act as the President of the Company. Mr. Xinghu Tao ceased to be the President of the Company and Mr. Lin Zhang was appointed as executive Director and President of the Company during the period under review, since then, the roles of Chairman and President of the Company are not performed by the same individual. The Company had complied with code provision A.2.1 of the CG Code as at 31 December 2017.

## AUDIT COMMITTEE

The Company has an audit committee ("**Audit Committee**") which was established with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph C3 of the CG Code of the Listing Rules. The primary duties of the Audit Committee are to supervise the financial reporting process and internal control and risk management systems of the Group. The Audit Committee consists of three members, being Mr. Diyong Yan (non-executive Director), Mr. Jingwei Liu (independent non-executive Director) and Mr. Huanfei Guan (independent non-executive Director). The Group's financial statements for the year ended 31 December 2017 have been reviewed by the Audit Committee, who was of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

By Order of the Board
**China Nonferrous Mining Corporation Limited**
**Xinghu TAO**
*Chairman*

Hong Kong, 29 March 2018

*As at the date of this announcement, the board of directors of the Company comprises Mr. Xinghu TAO, Mr. Lin ZHANG, Mr. Chunlai WANG, Mr. Wei FAN and Mr. Kaishou XIE, as executive Directors; Mr. Diyong YAN as non-executive Director; and Mr. Chuanyao SUN, Mr. Jingwei LIU and Mr. Huanfei GUAN as independent non-executive Directors.*