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 2018

FINANCIAL HIGHLIGHTS OF THE GROUP

In 2018, the Group recorded revenue of US$2,053.3 million, representing an increase of US$214.6 million from US$1,838.7 million in 2017.

In 2018, the Group recorded profit of US$244.0 million, increased by US$10.1 million from US$233.9 million in 2017.

In 2018, the Group recorded profit attributable to owners of the Company of US$146.3 million, increased by US$3.9 million from US$142.4 million in 2017. The increase in profit attributable to owners was mainly due to the fact that the increase in the production and sales volume of the products and revenue of the Company resulting from the Company's strengthened management outpaced the increase of the costs and prices of copper, sulfuric acid and other products.

In 2018, basic earnings per share attributable to owners of the Company was approximately US¢4.19 (equivalent to approximately HK$0.33), increased by approximately US¢0.11 (equivalent to approximately HK$0.01) from approximately US¢4.08(equivalent to approximately HK$0.32) in 2017.

The Board proposes a payment of 2018 final dividend of US¢0.8384 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 2018, together with the comparative figures for the corresponding period in 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** ***US$'000***	2017 *US$'000*
Revenue from goods	3, 4	**2,053,320**	1,838,731
Cost of sales		**(1,552,788)**	(1,406,783)
Gross profit		**500,532**	431,948
Other income		**13,241**	9,599
Other gains and losses	5	**(44,852)**	18,121
Distribution and selling expenses		**(46,507)**	(46,282)
Administrative expenses		**(62,738)**	(53,443)
Other expenses		**(11,235)**	(17,599)
Finance costs	6	**(24,580)**	(23,117)
Profit before tax		**323,861**	319,227
Income tax expense	7	**(79,883)**	(85,368)
Profit and total comprehensive income for the year		**243,978**	233,859
Profit and total comprehensive income attributable to:			
Owners of the Company		**146,260**	142,428
Non-controlling interests		**97,718**	91,431
		243,978	233,859
Earnings per share			
– Basic and diluted	9	**US ¢4.19/share**	US ¢4.08/share
– Basic and diluted (HK$ equivalent)	9	**HK$0.33/share**	HK$0.32/share

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
ASSETS			
Non-current Assets			
Property, plant and equipment		**1,295,449**	1,021,166
Interest in an associate		**–**	2,143
Finance lease receivables		**67**	319
Restricted bank balances		**6,044**	6,027
Deferred tax assets		**42,823**	52,456
Other assets		**90,782**	20,082
		1,435,165	1,102,193
Current Assets			
Inventories	10	**540,219**	383,580
Finance lease receivables		**234**	950
Trade receivables	11	**–**	234,924
Trade receivables at amortised cost	11	**3,023**	–
Trade receivables at fair value through profit or loss ("**FVTPL**")	11	**138,616**	–
Prepayments and other receivables		**204,568**	180,299
Derivatives		**3,413**	–
Restricted bank balances		**2,676**	1,267
Bank deposits		**–**	45,000
Bank balances and cash		**505,091**	854,984
		1,397,840	1,701,004
Total Assets		**2,833,005**	2,803,197

	Notes	**2018** **US$'000**	2017 US$'000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		**613,233**	613,233
Retained profits		**294,949**	173,842
Equity attributable to owners of the Company		**908,182**	787,075
Non-controlling interests		**388,373**	253,009
Total Equity		**1,296,555**	1,040,084
Non-current Liabilities			
Deferred tax liabilities		**45,593**	53,997
Bank and other borrowings – due after one year	13	**534,987**	813,512
Provision for restoration, rehabilitation and environmental costs		**18,010**	18,960
Deferred income		**15,528**	16,199
		614,118	902,668
Current Liabilities			
Trade payables	12	**118,229**	265,665
Trade payables designated at FVTPL	12	**131,760**	–
Other payables and accrued expenses		**51,867**	62,206
Income tax payable		**85,435**	72,930
Bank and other borrowings – due within one year	13	**527,494**	455,225
Contract liabilities		**7,547**	–
Derivative		**–**	4,419
		922,332	860,445
Total Liabilities		**1,536,450**	1,763,113
Total Equity and Liabilities		**2,833,005**	2,803,197

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Equity attributable to owners of the Company				
	Share capital *US$'000*	**Retained profits** *US$'000*	**Sub-total** *US$'000*	**Non-controlling interests** *US$'000*	**Total equity** *US$'000*
Balance at 1 January 2017	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
Profit and total comprehensive income for the year	**–**	**146,260**	**146,260**	**97,718**	**243,978**
Dividend declared by a subsidiary	**–**	**–**	**–**	**(4,000)**	**(4,000)**
Capital contribution by a non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**37,860**	**37,860**
Dividend declared by the Company	**–**	**(21,367)**	**(21,367)**	**–**	**(21,367)**
Disposal of partial interest in a subsidiary	**–**	**(3,786)**	**(3,786)**	**3,786**	**–**
Balance at 31 December 2018	**613,233**	**294,949**	**908,182**	**388,373**	**1,296,555**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	US$'000	*US$'000*
NET CASH FROM OPERATING ACTIVITIES	**205,729**	335,782
NET CASH USED IN INVESTING ACTIVITIES	**(302,546)**	(204,293)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(252,816)**	37,243
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(349,633)**	168,732
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**854,984**	685,327
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**(260)**	925
CASH AND CASH EQUIVALENTS AT 31 DECEMBER,		
Represented by:		
Bank balances and cash	**505,091**	854,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 and 2017 included in this preliminary announcement of annual results 2018 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 2017 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 2018 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014–2016 Cycle*
Amendments to HKAS 40	*Transfers of Investment Property*

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

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from selling copper products and sulfuric acid which arise from contracts with customers when the products are delivered to the destination specified by the customer.

Information about the Group's performance obligations resulting from application of HKFRS 15 are disclosed in notes 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.1 HKFRS 15 Revenue from Contracts with Customers (Continued)

Summary of effects arising from initial application of HKFRS 15

There is no impact of transition to HKFRS 15 on retained profits at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	**Carrying amounts under HKFRS 15 at 1 January 2018**
	US$'000	*US$'000*	***US$'000***
Current Liabilities			
Other payables and accrued expenses	62,206	(20,899)	**41,307**
Contract liabilities	–	20,899	**20,899**

Note: As at 1 January 2018, advances from customers of US$20,899,000 in respect of sale of goods contracts previously included in other payables and accrued expenses were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	US$'000	*US$'000* *(Note)*	*US$'000*
Impact on the consolidated statement of financial position			
Current Liabilities			
Other payables and accrued expenses	(50,360)	(7,547)	(57,907)
Contract liabilities	(7,547)	7,547	–
Impact on the consolidated statement of cash flows			
Operating Activities			
Decrease in trade and other payables and accrued expenses	(5,410)	(13,352)	(18,762)
Decrease in contract liabilities	(13,352)	13,352	–

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and other items (for example, lease receivables) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments*: *Recognition and Measurement*.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Trade receivables (previously classified as loans and receivables) *US$'000*	**Trade receivables at amortised cost required by HKFRS 9** *US$'000*	**Trade receivables at FVTPL required by HKFRS 9** *US$'000* *(Note)*
Closing balance at 31 December 2017 – HKAS 39	234,924	–	–
Effect arising from initial application of HKFRS 9:			
Reclassification			
From loans and receivables	(234,924)	11,965	222,959
Opening balance at 1 January 2018	–	11,965	222,959

Note: Trade receivables arising from provisionally priced sales previously separated into loans and receivables and the embedded derivative component (previously presented in the same line item as the host contract) were reclassified to trade receivables at FVTPL upon the application of HKFRS 9 because the cash flows of these receivables do not represent solely payments of principal and interest on the principal amount outstanding.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) *US$'000*	HKFRS 15 *US$'000*	HKFRS 9 *US$'000*	**1 January 2018 (Restated)** ***US$'000***
Current Assets				
Trade receivables	234,924	–	(234,924)	**–**
Trade receivables at amortised cost	–	–	11,965	**11,965**
Trade receivables at FVTPL	–	–	222,959	**222,959**
Current Liabilities				
Other payables and accrued expenses	62,206	(20,899)	–	**41,307**
Contract liabilities	–	20,899	–	**20,899**

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (Continued)

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

3. REVENUE FROM GOODS

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	2018	
	Leaching	**Smelting**
	US$'000	***US$'000***
Types of goods		
Sales of goods to external customers		
Copper cathodes	**597,006**	**–**
Blister copper	**–**	**1,036,382**
Copper anode	**–**	**326,902**
Copper-cobalt alloy	**–**	**8,100**
Sulfuric acid	**–**	**84,930**
Total	**597,006**	**1,456,314**
Timing of revenue recognition		
A point in time	**597,006**	**1,456,314**

(ii) Performance obligations for contracts with customers

The Group sells copper products and sulphuric acid to customers, revenue is recognised when control of the goods has transferred based on the terms of the sale contracts. In most cases, the control of goods has transferred upon delivery, when the goods have been shipped at the Group's premises. The Group normally requires prepayments from customers before goods dispatch with the remainder to be settled not exceeding one month upon issuance of sales invoice.

All sales are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

3. REVENUE FROM GOODS (CONTINUED)

B. For the year ended 31 December 2017

An analysis of the Group's revenue from its major products is as follows:

	2017
	US$'000
Blister copper	1,285,166
Copper anode	–
Copper-cobalt alloy	3,861
Copper cathodes	494,288
Sulfuric acid	55,416
	1,838,731

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

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

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the year ended 31 December 2018

	Leaching *US$'000*	**Smelting** *US$'000*	**Consolidated** *US$'000*
Total segment revenue	**597,006**	**1,490,022**	**2,087,028**
Less: inter-segment sales	**–**	**(33,708)**	**(33,708)**
Revenue from external customers	**597,006**	**1,456,314**	**2,053,320**
Segment profit	**155,119**	**87,054**	**242,173**
Unallocated income*			**6,690**
Unallocated expenses#			**(4,885)**
Profit for the year			**243,978**

For the year ended 31 December 2017

	Leaching *US$'000*	Smelting *US$'000*	Consolidated *US$'000*
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

* 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.

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Segment profit represents the profit earned by each segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

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

	2018	2017
	US$'000	*US$'000*
Segment assets		
Leaching	**675,198**	819,186
Smelting	**1,897,813**	1,610,089
Total segment assets	**2,573,011**	2,429,275
Unallocated assets*	**262,771**	385,095
Elimination	**(2,777)**	(11,173)
Consolidated assets	**2,833,005**	2,803,197
Segment liabilities		
Leaching	**399,482**	680,942
Smelting	**1,028,962**	966,332
Total segment liabilities	**1,428,444**	1,647,274
Unallocated liabilities*	**110,783**	127,012
Elimination	**(2,777)**	(11,173)
Consolidated liabilities	**1,536,450**	1,763,113

* 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, other than certain assets and liabilities of the Holding Companies, are allocated to reportable and operating segments.

5. OTHER GAINS AND LOSSES

	2018	2017
	US$'000	*US$'000*
(Loss) gain on disposal of property, plant and equipment, net	**(891)**	186
Impairment losses of input VAT receivables	**(10,026)**	(7,860)
Foreign exchange losses, net*	**(40,866)**	(7,240)
Gain (loss) from changes in fair value of financial assets/liabilities at FVTPL		
– Derivatives	**8,658**	33,035
– Trade receivables at FVTPL	**(64,854)**	–
– Trade payables designated at FVTPL	**63,127**	–
	(44,852)	18,121

* The amount included exchange losses arising from the retranslation of input VAT receivables denominated in Zambia Kwacha ("**ZMK**") to US$ amounting to US$37,002,000 during the current year (2017: US$5,689,000).

6. FINANCE COSTS

	2018	2017
	US$'000	*US$'000*
Interest on bank and other borrowings	**57,546**	36,103
Unwinding of the discount	**818**	415
	58,364	36,518
Less: Amounts capitalised in construction in progress arose on the borrowings specifically for the purpose of qualifying assets	**(33,784)**	(13,401)
	24,580	23,117
The weighted average capitalisation rate used to determine the amount of borrowing costs arose on the borrowings specifically eligible for capitalisation (per annum)	**5.33%**	4.46%

7. INCOME TAX EXPENSE

Income tax expense recognised in profit or loss:

	2018	2017
	US$'000	*US$'000*
Current tax:		
– Income tax in The Republic of Ireland ("**Ireland**")	**6**	3,937
– Income tax in DRC	**33,702**	29,208
– Income tax in Zambia	**44,946**	37,479
	78,654	70,624
Deferred tax		
– Current year	**1,229**	14,744
Total income tax expense	**79,883**	85,368

Income tax in Ireland is calculated at 12.5% (2017: 12.5%) on the estimated assessable income.

Income tax in DRC is calculated at 30% (2017: 30%) on the estimated assessable income.

Income tax in Zambia is calculated at 35% (2017: 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 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 first year of 25% income tax relief during the current year (2017: 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 last year enjoying this tax incentive is 2017 and the applicable tax rate for SML for the year ended 31 December 2018 was 35% (2017: 26.25%).

7. INCOME TAX EXPENSE (CONTINUED)

According to the 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. Therefore certain dividend income of CNMH from Zambia subsidiaries may be subject to income tax in Zambia at a withholding tax rate of 7.5%, except that CNMH enjoyed withholding tax incentive from 2013 to 2017 on the dividend income from CCS, a Zambia subsidiary of the Company.

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

	2018	2017
	US$'000	*US$'000*
Dividends recognised as distribution during the year:		
2018 Final, paid – US¢0.6124 per share	**21,367**	–

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2018 of US¢0.8384 per share amounting to approximately US$29,252,100 (2017: US¢0.6124 per share amounting to US$21,367,000) 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

	2018	2017
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share *(in US$'000)*	**146,260**	142,428
Number of ordinary shares for the purpose of basic and diluted earnings per share *(in '000)*	**3,489,036**	3,489,036
Earnings per share		
– Basic and diluted	**US¢4.19/share**	US¢4.08/share
– Basic and diluted *(HKD equivalent)*	**HK$0.33/share**	HK$0.32/share

During the years ended 31 December 2018 and 2017, there was no potential ordinary share outstanding with diluted impact.

10. INVENTORIES

	2018	2017
	US$'000	*US$'000*
Raw materials	**366,262**	237,285
Spare parts and consumables	**94,704**	81,458
Work in progress	**66,179**	48,097
Finished goods	**13,074**	16,740
	540,219	383,580

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

	2018	2017
	US$'000	*US$'000*
Trade receivables	**–**	237,845
Trade receivables at amortised cost	**5,863**	–
Less: Allowance for credit losses	**(2,840)**	(2,921)
	3,023	234,924
Trade receivables at FVTPL	**138,616**	–

As at 31 December 2018 and 1 January 2018, all trade receivables/trade receivables at amortised cost/trade receivables at FVTPL are from contracts with customers.

The following is an aging analysis of trade receivables/trade receivables at amortised cost, net of allowance for credit losses, presented based on the invoice dates:

	2018	2017
	US$'000	*US$'000*
0 to 30 days	**1,542**	216,464
31 to 90 days	**1,021**	15,587
91 to 180 days	**258**	1,868
181 to 365 days	**202**	417
1–2 years	**–**	588
	3,023	234,924

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

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

	2018
	US$'000
0 to 30 days	**129,931**
31 to 90 days	**7,996**
91 to 180 days	**689**
	138,616

12. TRADE PAYABLES/TRADE PAYABLES DESIGNATED AT FVTPL

	2018	2017
	US$'000	*US$'000*
Trade payables	**118,229**	265,665
Trade payables designated at FVTPL	**131,760**	–

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

	2018	2017
	US$'000	*US$'000*
0 to 30 days	**49,265**	141,273
31 to 90 days	**14,769**	20,166
91 to 180 days	**4,812**	34,689
181 to 365 days	**1,961**	15,548
1–2 years	**344**	25,187
Over 2 years	**47,078**	28,802
	118,229	265,665

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

	2018
	US$'000
0 to 30 days	**80,155**
31 to 90 days	**19,738**
91 to 180 days	**21,171**
181 to 365 days	**10,696**
	131,760

13. BANK AND OTHER BORROWINGS

	2018	2017
	US$'000	*US$'000*
Bank loans, unsecured	**924,481**	1,020,660
Loan from CNMC, unsecured	**–**	1,077
Loan from a fellow subsidiary, unsecured *(note a)*	**138,000**	247,000
	1,062,481	1,268,737
The carrying amounts are repayable:		
Within one year	**527,494**	455,225
More than one year but not exceeding two years	**314,610**	426,339
More than two years but not exceeding five years	**220,377**	387,173
	1,062,481	1,268,737
Less: Amounts shown under current liabilities	**(527,494)**	(455,225)
Amounts shown under non-current liabilities	**534,987**	813,512

Note:

a. *The loan from a fellow subsidiary of US$138,000,000 (2017: US$247,000,000) bore interest at a fixed rate of 4.0% per annum (2017: 4.0% per annum) and was due on 31 December 2018. The fellow subsidiary agreed to extend the due date and the loan contract is in progress of renewal.*

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2018, the Group spared no efforts to expand markets on one hand, and focused on production and management, projects construction and cost management on the other hand. To this end, the operation quality and growth momentum have improved and the Group overfulfilled the annual objectives in production and operation.

During the reporting period, the production and sales volumes of the products of the Company have achieved steady growth. The revenue increased by 11.7% to US$2,053.3 million over the last year.

During the reporting period, the profit attributable to owners of the Company amounted to US$146.3 million, representing an increase of US$3.9 million over the last year, which is mainly because the increase in production, sales volumes and revenue resulting from the Company's strengthened management outpaced the increase in costs and expenses and product price.

Meanwhile, along with the construction and commercializing of the planned projects including Chambishi Southeast Mine with an investment of US$830 million, the blister copper smelting project of Lualaba Copper Smelter SAS ("**Lualaba Copper Smelter**") with an investment of US$437.6 million and reconstruction and expansion project of Huachin Metal Leach SA ("**Huachin Leach**"), 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 and cobalt, 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 Group has made greater efforts to develop cobalt business since 2017.

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

In 2018, blister copper (including copper anode) and sulphuric acid produced by the Group amounted to 220,479 tonnes and 593,983 tonnes, representing a decrease of 2.0% and 0.1% over last year, respectively. Copper cathodes produced amounted to 96,870 tonnes in total, representing an increase of 8.8% over last year. Revenue of the Group increased by 11.7% from US$1,838.7 million in 2017 to US$2,053.3 million in 2018.

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 2018, 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 2018				31 December 2017			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Measured	**8.03**	**2.19%**	**–**	**–**	8.35	2.22%	–	–
Indicated	**6.68**	**2.33%**	**–**	**–**	6.71	2.32%	–	–
Inferred	**13.79**	**2.26%**	**–**	**–**	13.83	2.26%	–	–

Note: Chambishi Main Mine produced 375,000 tonnes of ore in 2018.

Chambishi West Mine

JORC category	31 December 2018 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt	31 December 2017 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt
Oxide ore								
Measured	**6.54**	**1.98%**	**0.83%**	**–**	4.55	1.97%	0.90%	–
Indicated	**1.06**	**1.97%**	**0.96%**	**–**	0.95	1.97%	0.99%	–
Inferred	**0.52**	**1.76%**	**0.79%**	**–**	0.31	1.87%	0.93%	–
Sulphide Ore								
Measured	**14.13**	**2.12%**	**–**	**–**	11.40	2.14%	–	–
Indicated	**4.59**	**2.17%**	**–**	**–**	4.68	2.16%	–	–
Inferred	**4.44**	**2.05%**	**–**	**–**	6.95	2.08%	–	–

Note: Chambishi West Mine produced 1,129,000 tonnes of ore in 2018.

Chambishi Southeast Mine

JORC category	31 December 2018 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt	31 December 2017 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt
Measured	**28.17**	**2.35%**	**–**	**0.12%**	16.93	2.38%	–	0.10%
Indicated	**38.66**	**1.84%**	**–**	**0.11%**	32.34	2.03%	–	0.11%
Inferred	**73.95**	**1.88%**	**–**	**0.11%**	96.40	1.80%	–	0.10%

Note: Chambishi Southeast Mine produced 100,000 tonnes of ore (by-product) in 2018.

Mwambashi Mine

JORC category	31 December 2018 Ore (Mt)	31 December 2018 Average grade Total copper	31 December 2018 Average grade Oxide copper	31 December 2018 Cobalt	31 December 2017 Ore (Mt)	31 December 2017 Average grade Total copper	31 December 2017 Average grade Oxide copper	31 December 2017 Cobalt
Measured	**1.37**	**2.16%**	**1.05%**	**–**	1.39	2.16%	1.05%	–
Indicated	**4.83**	**1.96%**	**0.68%**	**–**	4.88	1.96%	0.68%	–
Inferred	**3.28**	**2.06%**	**0.48%**	**–**	3.31	2.06%	0.48%	–

Note: Mwambashi Mine produced 670,000 tonnes of ore in 2018.

Samba Mine

JORC category	31 December 2018 Ore (Mt)	31 December 2018 Average grade Total copper	31 December 2018 Average grade Oxide copper	31 December 2018 Cobalt	31 December 2017 Ore (Mt)	31 December 2017 Average grade Total copper	31 December 2017 Average grade Oxide copper	31 December 2017 Cobalt
Measured	**–**	**–**	**–**	**–**	–	–	–	–
Indicated	**3.00**	**1.76%**	**–**	**–**	3.00	1.76%	–	–
Inferred	**5.85**	**1.65%**	**–**	**–**	5.85	1.65%	–	–

Note: No mining activities were carried out at Samba Mine in 2018.

Baluba Center Mine

JORC category	31 December 2018 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt	31 December 2017 Ore (Mt)	Average grade 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	**3.96**	**2.20%**	**0.08%**	**0.15%**	4.05	2.20%	0.08%	0.16%
Indicated	**7.11**	**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: In 2018, Baluba Center Mine registered 197,000 tonnes of consumption of sulphide ore. No exploration or mining activities for oxide ore were carried out at Baluba Center Mine.

Muliashi North Mine

JORC category	31 December 2018 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt	31 December 2017 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt
Measured	**13.53**	**1.03%**	**0.38%**	**0.02%**	16.45	1.10%	0.44%	0.02%
Indicated	**14.06**	**0.99%**	**0.36%**	**0.02%**	15.25	1.01%	0.37%	0.02%
Inferred	**21.12**	**0.98%**	**0.32%**	**0.02%**	21.18	0.98%	0.32%	0.01%

Note: Muliashi North Mine registered approximately 4,160,000 tonnes of consumption of resources in 2018.

Muliashi South Mine

JORC category	31 December 2018 Ore *(Mt)*	31 December 2018 Average grade Total copper	31 December 2018 Average grade Oxide copper	31 December 2018 Cobalt	31 December 2017 Ore *(Mt)*	31 December 2017 Average grade Total copper	31 December 2017 Average grade Oxide copper	31 December 2017 Cobalt
Oxide ore								
Measured	**0.64**	**1.95%**	**1.01%**	**0.01%**	0.96	2.05%	1.22%	0.01%
Indicated	**0.67**	**1.55%**	**0.58%**	**0.01%**	0.76	1.59%	0.66%	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: In 2018, Muliashi South Mine registered approximately 400,000 tonnes of consumption of oxide ore. No exploration or mining activities for sulphide oxide ore were carried out at Baluba Center Mine.

Mashiba Mine

JORC category	31 December 2018 Ore *(Mt)*	31 December 2018 Average grade Total copper	31 December 2018 Average grade Oxide copper	31 December 2018 Cobalt	31 December 2017 Ore *(Mt)*	31 December 2017 Average grade Total copper	31 December 2017 Average grade Oxide copper	31 December 2017 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 mining activities were carried out at Mashiba Mine in 2018.

Baluba East Mine

JORC category	**31 December 2018** Ore *(Mt)*	**Average grade** Total copper	**Average grade** Oxide copper	Cobalt	31 December 2017 Ore *(Mt)*	Average grade Total copper	Average grade Oxide copper	Cobalt
Measured	**16.47**	**1.67**	**0.68**	**0.02%**	18.28	1.65%	0.07%	0.02%
Indicated	**2.48**	**1.24**	**0.19**	**0.03%**	2.60	1.26%	0.22%	0.03%
Inferred	**1.35**	**1.07**	**0.17**	**0.04%**	1.35	1.07%	0.17%	0.04%

Note: Baluba East Mine registered approximately 740,000 tonnes of consumption of resources in 2018.

PE6307 Mine

JORC category	**31 December 2018** Ore *(Mt)*	**Average grade** Total copper	**Average grade** Oxide copper	Cobalt	31 December 2017 Ore *(Mt)*	Average grade Total copper	Average grade Oxide copper	Cobalt
Measured	**–**	**–**	**–**	**–**	–	–	–	–
Indicated	**0**	**–**	**–**	**–**	0.13	3.18%	–	–
Inferred	**–**	**–**	**–**	**–**	–	–	–	–

PE5276-B5 Mine

JORC category	**31 December 2018** Ore *(Mt)*	**Average grade** Total copper	**Average grade** Oxide copper	Cobalt	31 December 2017 Ore *(Mt)*	Average grade Total copper	Average grade Oxide copper	Cobalt
Measured	**0.04**	**3.48%**	**–**	**–**	0.04	3.26%	–	–
Indicated	**0.14**	**1.98%**	**–**	**–**	0.14	1.86%	–	–
Inferred	**0.04**	**1.91%**	**–**	**–**	0.04	1.79%	–	–

PE5276-RE Mine

JORC category	31 December 2018 Ore (Mt)	31 December 2018 Average grade Total copper	Oxide copper	Cobalt	31 December 2017 Ore (Mt)	31 December 2017 Average grade Total copper	Oxide copper	Cobalt
Measured	**0.07**	**2.54%**	**–**	**–**	–	–	–	–
Indicated	**0.03**	**1.75%**	**–**	**–**	–	–	–	–
Inferred	**0.07**	**1.73%**	**–**	**–**	–	–	–	–

(2) Reserves

Chambishi Main Mine

JORC category	31 December 2018 Ore (Mt)	31 December 2018 Average grade Total copper	Oxide copper	Cobalt	31 December 2017 Ore (Mt)	31 December 2017 Average grade Total copper	Oxide copper	Cobalt
Proved	**4.73**	**1.69%**	**–**	**–**	4.26	1.68%	–	–
Probable	**2.84**	**1.64%**	**–**	**–**	2.88	1.61%	–	–

Chambishi West Mine

JORC category	31 December 2018 Ore (Mt)	31 December 2018 Average grade Total copper	Oxide copper	Cobalt	31 December 2017 Ore (Mt)	31 December 2017 Average grade Total copper	Oxide copper	Cobalt
Oxide ore								
Proved	**3.61**	**1.87%**	**0.74%**	**–**	2.33	1.84%	–	–
Probable	**1.38**	**1.88%**	**0.82%**	**–**	1.14	1.85%	–	–
Sulphide Ore								
Proved	**4.14**	**2.02%**	**–**	**–**	3.81	2.03%	–	–
Probable	**9.73**	**1.95%**	**–**	**–**	11.98	1.92%	–	–

Chambishi Southeast Mine

	31 December 2018				31 December 2017			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Proved	**22.44**	**2.00%**	**–**	**0.10%**	13.46	2.02%	–	0.09%
Probable	**18.53**	**1.64%**	**–**	**0.09%**	32.75	1.76%	–	0.10%

Baluba Center Mine

	31 December 2018				31 December 2017			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Proved	**2.23**	**1.38%**	**0.06%**	**0.04%**	2.30	1.38%	0.06%	0.04%
Probable	**4.43**	**1.26%**	**0.11%**	**0.09%**	3.58	1.25%	0.11%	0.09%

Muliashi North Mine

	31 December 2018				31 December 2017			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Proved	**9.76**	**1.02%**	**0.35%**	**0.02%**	12.69	1.11%	0.43%	0.02%
Probable	**8.53**	**0.92%**	**0.35%**	**0.02%**	9.79	0.96%	0.37%	0.02%

Muliashi South Mine

	31 December 2018				31 December 2017			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Proved	**0.08**	**2.20%**	**1.60%**	**0.01%**	0.38	2.22%	1.61%	0.02%
Probable	**0.05**	**1.81%**	**1.18%**	**0.01%**	0.14	1.83%	1.25%	0.01%

Baluba East Mine

	31 December 2018				31 December 2017			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Proved	**2.48**	**1.46%**	**0.98%**	**0.05%**	6.38	1.81%	0.95%	0.02%
Probable	**17.37**	**1.45%**	**0.93%**	**0.05%**	27.57	0.73%	0.30%	0.03%

Mashiba Mine

	31 December 2018				31 December 2017			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	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

	31 December 2018				31 December 2017			
		Average grade				Average grade		
JORC category	Ore (Mt)	Total copper	Oxide copper	Cobalt	Ore (Mt)	Total copper	Oxide copper	Cobalt
Proved	**5.92**	**2.07%**	**1.07%**	**–**	6.38	2.02%	0.82%	–
Probable	**3.31**	**2.06%**	**0.48%**	**–**	3.31	2.06%	0.48%	–

Samba Mine

	31 December 2018				31 December 2017			
		Average grade				Average grade		
JORC category	Ore (Mt)	Total copper	Oxide copper	Cobalt	Ore (Mt)	Total copper	Oxide copper	Cobalt
Proved	**8.85**	**1.69%**	**–**	**–**	8.85	1.69%	–	–
Probable	**3.32**	**1.57%**	**–**	**–**	3.32	1.57%	–	–

PE6307 Mine

	31 December 2018				31 December 2017			
		Average grade				Average grade		
JORC category	Ore (Mt)	Total copper	Oxide copper	Cobalt	Ore (Mt)	Total copper	Oxide copper	Cobalt
Proved	**–**	**–**	**–**	**–**	–	–	–	–
Probable	**0**	**–**	**–**	**–**	0.74	3.18%	–	–

PE5276-B5 Mine

JORC category	31 December 2018 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt	31 December 2017 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt
Proved	**–**	**–**	**–**	**–**	–	–	–	–
Probable	**0**	**–**	**–**	**–**	0.04	2.35%	–	–

PRODUCTION OVERVIEW

NFCA

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

In 2018, copper contained in copper concentrates produced by NFCA amounted to 31,948 tonnes, representing an increase of 7.6% over the same period in the previous year. Such increase was primarily attributable to the increase in copper contained in the copper concentrates produced by another subsidiary in 2018 by 2,354 tonnes as compared with the same period last year to 4,345 tonnes.

The Chambishi Main Mine and Chambishi West Mine of NFCA produced ore of 0.375 million tonnes and 1.129 million tonnes, respectively, during 2018.

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.

The total copper contained in copper concentrates produced by Luanshya amounted to 5,806 tonnes, representing an increase of 141.8% over the same period in the previous year. In particular, Baluba Center Mine resumed production in July 2018 and had accumulatively produced 2,227 tonnes of copper contained in copper concentrates; the total copper contained in copper concentrates produced by the Slag Copper Recovery Project amounted to 3,579 tonnes, representing a year-on-year increase of 49.1%, mainly due to the fact that in 2017 production only lasted for 9 months.

The Muliashi Project produced 41,869 tonnes of copper cathode, representing an increase of 1.4% over the same period in the previous year, mainly attributable to the stable output capacity of heap leaching system.

The Muliashi North Mine and the Muliashi South Mine produced ore of 4.16 million tonnes and 0.40 million tonnes respectively in 2018.

CCS

CCS mainly operates the Chambishi Smelting Plant.

In 2018, blister copper, copper anode and sulphuric acid produced by CCS amounted to 164,230 tonnes, 56,249 tonnes and 593,983 tonnes, basically flat with the same period in the previous year. The copper-cobalt alloy accumulatively produced amounted to 1,136 tonnes, representing a decrease of 6.8% as compared with the same period in the previous year.

SML

SML mainly operates Mwambashi Mine and the Chambishi Leach Plant.

Copper cathode produced by SML in 2018 amounted to 5,519 tonnes, flat with the same period in the previous year. Processing plants under SML produced 3,796 tonnes of copper contained in copper concentrates in 2018, representing an increase of 44.6% 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 2018 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 34,702 tonnes of copper cathodes, representing an increase of 14.9% over the same period in the previous year, mainly attributable to continuous enhancement of manufacturing capacity and production capacity through technological transformation and quality improvement.

Huachin Leach

Huachin Leach accumulatively produced 14,780 tonnes of copper cathodes, representing an increase of 22.6% over the same period in the previous year, mainly attributable to enhancement of solution concentration as a result of sufficient raw materials and increase in ore processing amount arising from the greater efforts on ore recovery during the 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 2018 *(1), (2)* ***(Tonnes)***	Production volume for 2017*(1)* *(Tonnes)*	Year-on-year growth/ (decrease) *(%)*
Copper concentrate	**37,205**	34,725	7.1
Blister copper & copper anode	**220,479**	224,920	(1.9)
Copper cathodes	**96,870**	89,068	8.8
Copper- cobalt alloy	**1,136**	1,219	(6.8)
Sulphuric acid	**593,983**	594,553	(0.1)

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 341 tonnes of copper and approximately 114 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 2018 are set out below:

2018	NFCA				Luanshya					SML	CNMHK				Kambove Mining			
Unit: Million US dollars	Chambishi Main Mine	Chambishi West Mine	Chambishi Southeast Mine	Baluba Center Sulphide Mine	Muliashi North Mine	Muliashi South Mine	Mashiba Mine	Baluba East Mine	Roan Basin	Mwambashi Mine	Huachin Leach PE6307 Mine	Huachin Leach PE12094 Mine	CNMC Huachin Mabende PE5276-B5 Mine	CNMC Huachin Mabende PE5276-ER Mine	Main mineral deposit	Plant to be constructed	KIBINDJI mine spot	Total
Exploration activities																		
Drilling and analysis	–	1.27	2.03	0.16	–	–	0.27	–	0.40	0.20	0.16	0.21	0.26	0.40	0.38	0.23	0.11	2.79
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.00
Sub-total	**-**	**1.27**	**2.03**	**0.16**	**0.00**	**0.00**	**0.27**	**0.00**	**0.40**	**0.20**	**0.16**	**0.21**	**0.26**	**0.40**	**0.38**	**0.23**	**0.11**	**2.79**
Development activities (including mine construction)																		
Purchases of assets and equipment	–	–	–	0.13	0.44	–	–	–	–	–	–	2.98	–	–	–	–	–	3.55
Civil work for construction of tunnels and roads	–	–	–	–	–	–	–	–	–	–	0.80	–	–	–	–	–	–	0.80
Staff cost	–	–	–	–	–	–	–	–	–	–	–	–	–	0.34	0.41	–	–	0.75
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	1.15	0.83	–	–	1.98
Sub-total	**-**	**-**	**-**	**0.13**	**0.44**	**-**	**-**	**-**	**-**	**-**	**0.80**	**2.98**	**-**	**1.49**	**1.24**	**-**	**-**	**7.08**
Mining activities (excluding ore processing)																		
Staff cost	–	–	–	0.58	0.15	–	–	–	–	0.08	–	0.29	–	–	–	–	–	1.10
Materials and equipment	–	–	–	0.95	1.42	0.27	–	0.46	–	–	–	0.70	–	–	–	–	–	3.80
Fuel, electricity, water and others services	–	–	–	1.43	–	–	–	–	–	0.11	–	0.50	–	–	–	–	–	2.04
On-site and remote system management	–	–	–	–	–	–	–	–	–	–	–	0.01	–	–	–	–	–	0.01
Non-income taxes, royalties and other government expenses	–	–	–	2.36	13.94	0.76	–	1.65	–	0.00	–	–	–	–	–	–	–	18.71
Others	–	–	–	–	–	–	–	–	–	1.49	–	0.02	–	–	–	–	–	1.51
Sub-contracting charges	–	–	–	–	–	–	–	–	–	4.73	–	–	–	–	–	–	–	4.73
Depreciation	–	–	–	–	–	–	–	–	–	0.12	–	0.24	–	–	–	–	–	0.36
Sub-total	**-**	**-**	**-**	**5.32**	**15.51**	**1.03**	**-**	**2.11**	**-**	**6.53**	**-**	**1.76**	**-**	**-**	**-**	**-**	**-**	**32.26**

In 2018, Chambishi Main Mine and Chambishi West Mine produced 375,000 and 1,129,000 tonnes of ore, respectively, and Chambishi Southeast Mine produced 100,000 tonnes of ore (by-product).

In 2018, at Chambishi Main Mine, Chambishi West Mine and Chambishi Southeast Mine, 272 drilling holes in the pit were completed with 21,983.57m drilled, of which, 53 underground drilling holes were completed at Chambishi West Mine with 7,912.68m drilled at a cost of US$870,400 and 219 drilling holes in the pit were completed at Chambishi Southeast Mine with 14,070.9m drilled at a cost of US$1,430,300.

MINING EXPLORATION, MINING DEVELOPMENT AND ORE MINING ACTIVITIES

Mining Exploration

During the year, NFCA, Luanshya, SML, CNMC Huachin Mabende and Kambove Mining, subsidiaries of the Company, conducted mining exploration for production and exploration purposes, respectively. In particular:

At Chambishi Main Mine, Chambishi West Mine and Chambishi Southeast Mine of NFCA, 272 drilling holes in the pit were completed with 21,983.57m drilled, of which, 53 underground drilling holes were completed at Chambishi West Mine with 7,912.68m drilled and 219 drilling holes in the pit were completed at Chambishi Southeast Mine with 14,070.9m drilled.

Luanshya conducted exploration, drilling and platform trenches. In particular, supplemental exploration was conducted at Mashiba Mine, preliminary exploration was conducted at oxide copper mine projected to surface between SS19 line and SS35 line in Roan Basinwas, goaf verification was conducted at Baluba East Mine and exploration was conducted at Musidam Tailings Pond, during which 80 surface drilling holes with the drilling footage of 4,822.62m were completed. At Muliashi North Strip Mine, Muliashi South Strip Mine and Baluba East Strip Mine, 42 platform trenches for production and exploration purposes were completed with a total length of 2,986m and a total capacity of 1,493m^3.

2 drilling holes were completed at SML Mwambashi Mine B, with 731.96m drilled.

At CNMC Huachin Mabende PE5276, 13 drilling holes were completed with a total of 1,119m drilled. Intensified exploration was conducted across 5.64 square kilometer and 8 shallow shafts were constructed with a total of 45m drilled.

Assessment was made to the mineral resources in the main mineral deposit and to the mines under the plant to be constructed, and drill hole cataloguing and sampling for KIBINDJI mine spot with the drill hole core was conducted. In particular, 19 drilling holes were completed at the main mineral deposit, with 2,522.08m drilled, 6 drilling holes were completed at the plant to be constructed, with 820.01m drilled, and 68 drilling holes were completed at the KIBINDJI mine spot, with 10,548.65m drilled.

Mining Development

For details of mining development please refer to "Projects Under Progress" on pages 39 to 41.

Mining Activities

For details of mining activities, please refer to "Production Overview" on pages 33 to 35.

Infrastructure projects, subcontracting arrangements and procurement of equipment

During 2018, the new contracts entered into by the Group are as follows:

NFCA

The new infrastructure project contracts executed in 2018 amounted to approximately US$35.0 million.

No subcontracting arrangements were entered into by the Group during 2018*.

During 2018, contracts which amounted to approximately US$26.5 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.

* 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.

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 58,900 tonnes per annum. Its aggregate planned investments amounted to US$832 million. In 2018, 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 822,000m^3/870,000m^3 by the end of 2018. During 2018, it drilled 219 holes in the pit with the drilling depth of 14,071m. The drilling footage of the southern and northern mining areas was 39,046m in total since the commencement of construction. In 2018, the completed investments for the year amounted to US$217.78 million. As at the end of 2018, an accumulative project investment of US$736.32 million was made representing approximately 88% of the total planned investment. The main part was completed and put into use in the third quarter of 2018 and started trial production on 22 August.

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 350,000m^2 with a capacity of 3,000,000m^3, which was sufficient for stockpiling for a period of 10 years. As of 31 December 2018, the project had been completed.

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 strip mine, with designed annual capacity of 600,000 tonnes of ores, has 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$8.80 million. As of the end of December 2018, the last part of the reconstruction and expansion of the processing system was under progress and the total investment amounted to US$2,892,500.

Luanshya

Baluba East Strip Mine project

Baluba East Strip Mine project has a designed capacity of 900,000 tonnes of quality oxide ore per annum and output of 10,000 tonnes of copper cathode. The developmental stripping for the project was completed by the end of June 2018, in which US$865,000 had been invested for 2018. As at the end of December 2018, a total amount of US$6,528,000 had been invested in the project. Baluba East Strip Mine has become a good supplement to Muliashi North Strip Mine in terms of ore resource in the later stage of mining, ensuring the supply of raw material for Muliashi Leach Plant.

Huachin Leach

Huachin Leach copper-cobalt reconstruction and expansion project

Huachin Leach copper-cobalt reconstruction and expansion project has a designed annual production capacity of 20,000 tonnes of copper cathode and 2,000 tonnes of cobalt, with a total planned investment of US$52,412,000. As at 31 December 2018, about 90% of civil engineering work has been completed and about 85% of installation work has been completed. Part of self-developed systems (such as the new extraction system) have been put into operation, contributing to the production capacity. The project is scheduled to be completed by 30 June 2019.

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$437.60 million, the construction of such project was scheduled to commence on 28 March 2018 and would last for two years. As of the end of 2018, the main smelting factory had been capped and the living base construction, reinforced concrete construction of sulfuric acid circulating tank, warehouse system, main part of the office building, etc. had been basically completed; the external electricity project had been fully launched; and the concentrate store had been capped. Important construction milestones and engineering construction had been completed as scheduled and the accumulated investment completed amounted to US$170 million.

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$33.10 million. Such project will be constructed along with the blister copper smelting project.

Kambove Mining

The Integrating Exploration and Construction Project of Kambove

The main ore body exploration of the project has been completed for two phases. The negotiation on supplementary operating agreements and the preparations prior to commencement of construction are in orderly progress. The Group has prepared the development plans for other ore bodies in the mining area and medium and long term development plan for the Company.

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							
	2018				2017			
	Sales Volume[(1), (2)] *(Tonnes)*	**Average Selling Price** *(US$ per tonne)*	**Revenue** *(US$'000)*	**% of Total Revenue** *(%)*	Sales Volume[(1), (2)] *(Tonnes)*	Average Selling Price *(US$ per tonne)*	Revenue *(US$'000)*	% of Total Revenue *(%)*
Blister copper and copper anode	**219,932**	**6,199**	**1,363,284**	**66.4**	225,208	5,707	1,285,166	69.9
Copper cathodes	**99,293**	**6,013**	**597,006**	**29.1**	87,860	5,626	494,288	26.9
Copper-cobalt alloy	**1,251**	**6,475**	**8,100**	**0.4**	778	4,962	3,861	0.2
Sulphuric acid	**381,554**	**223**	**84,930**	**4.1**	399,859	139	55,416	3.0
Total			**2,053,320**	**100.0**			1,838,731	100.0

Notes:

(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 376 tonnes of copper and approximately 126 tonnes of cobalt.

Revenue

The revenue of the Group increased by 11.7% from US$1,838.7 million in 2017 to US$2,053.30 million in 2018. In 2018, the Group's revenue generated from blister copper and copper anode, copper cathode, copper-cobalt alloy and sulphuric acid accounted for 66.4%, 29.1%, 0.4% and 4.1%, respectively, of the total revenue.

The revenue from blister copper and copper anode increased by 6.1% from US$1,285.2 million in 2017 to US$1,363.3 million in 2018, mainly due to the increase in international copper prices.

The revenue from copper cathode increased by 20.8% from US$494.3 million in 2017 to US$597.0 million in 2018, mainly due to the increase in international copper prices and sales volume. Sales volume of copper cathode increased by 13.0% from 87,860 tonnes in 2017 to 99,293 tonnes in 2018.

The revenue from sulphuric acid increased by 53.2% from US$55.4 million in 2017 to US$84.9 million in 2018, which is mainly because the unit selling price of sulphuric acid increased by 60.4% from US$139 in 2017 to US$223 in 2018.

The revenue from copper-cobalt alloy increased by 109.8% from US$3.9 million in 2017 to US$8.1 million in 2018, mainly because sales volume increased by 60.8% from 778 tonnes in 2017 to 1,251 tonnes in 2018 driven by the increase in selling prices and sales volume.

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							
	2018				2017			
	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 and copper anode	**1,201,823**	**5,464**	**161,461**	**11.8**	1,117,049	4,960	168,117	13.1
Copper cathodes	**332,906**	**3,353**	**264,100**	**44.2**	273,910	3,118	220,378	44.6
Copper-cobalt alloy	**3,959**	**3,165**	**4,140**	**51.1**	4,282	5,503	(421)	-10.9
Sulphuric acid	**14,100**	**37**	**70,831**	**83.4**	11,542	29	43,874	79.2
Total	**1,552,788**		**500,532**	**24.4**	1,406,783		431,948	23.5

The cost of sales of the Group increased by 10.4% from US$1,406.80 million in 2017 to US$1,552.8 million in 2018, primarily due to the increased total costs as a result of the increased sales volume of copper cathode. 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 and copper anode increased by 7.6% from US$1,117.0 million in 2017 to US$1,201.8 million in 2018, primarily due to the increase in the higher purchase price of copper concentrate attributable to the increase in international copper prices.

The cost of sales of copper cathode increased by 21.5% from US$273.9 million in 2017 to US$332.9 million in 2018, primarily due to a significant increase of 13.0% in the sales volume of copper cathode and higher external purchase costs of ores as a result of increase of copper price.

The cost of sales of sulphuric acid increased by 22.6% from US$11.5 million in 2017 to US$14.1 million in 2018, primarily due to the increase of 18.6% in production cost of sulphuric acid.

Gross profit and gross profit margin

The Group recorded a gross profit of US$500.5 million in 2018, representing an increase of 15.9% from US$431.9 million in 2017. The gross profit margin increased from 23.5% in 2017 to 24.4% in 2018. In particular:

The gross profit margin of blister copper and copper anode decreased from 13.1% in 2017 to 11.8% in 2018, primarily attributable to a bigger increment in unit cost of sales than that in copper price. The gross profit margin of copper cathode was broadly unchanged compared with the last year.

The gross profit margin of sulphuric acid increased from 79.2% in 2017 to 83.4% in 2018, 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 amounted to US$46.5 million in 2018, basically flat as compared to the corresponding period last year.

Administrative expenses

The administrative expenses of the Group increased by 17.4% from US$53.4 million in 2017 to US$62.7 million in 2018, primarily due to increased administrative expenses in response to increased production volume as a result of expanded production.

Finance costs

The finance costs of the Group increased by 6.5% from US$23.1 million in 2017 to US$24.6 million in 2018, primarily due to increased average interest rate.

Other expenses

Other expenses of the Group mainly included maintenance charges incurred by the suspension of production of the Baluba Mine of Luanshya in 2018.

Other gains and losses

Other gains and losses of the Group decreased by US$63.0 million from a net gain of US$18.1 million in 2017 to a net loss of US$44.9 million in 2018, mainly due to the decrease in gains from change in fair value of derivatives arising from provisionally priced sales arrangements and increase in exchange loss.

Income tax expense

The income tax expenses of the Group decreased by US$5.5 million from US$85.4 million in 2017 to an expense of US$79.9 million in 2018, mainly due to the decrease of US$3.9 million in Ireland income tax expense.

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 by US$3.9 million from US$142.4 million in 2017 to a profit of US$146.3 million in 2018. 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 7.7% in 2017 and 7.1% in 2018, 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 decreased by 38.7% from an inflow of US$335.8 million in 2017 to an inflow of US$205.7 million in 2018, primarily attributable to the increase in the procurement of raw materials 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 48.1% from an outflow of US$204.3 million in 2017 to an outflow of US$302.5 million in 2018, primarily attributable to increased investments in the project of the Southeast Mine of NFCA, Lualaba Copper Smelter projects and reconstruction and expansion project of Huachin Leach.

Net cash flows (used in)/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$290.0 million from an inflow of US$37.2 million in 2017 to an outflow of US$252.8 million in 2018, primarily due to repayment of the principal and interests of bank loans and distribution of dividends to shareholders in 2018.

Bank balances and cash

The Group's bank balances and cash (including cash, time deposits and demand deposits) decreased by US$349.9 million from US$855.0 million as at 31 December 2017 to US$505.1 million as at 31 December 2018.

Trade receivables/Trade receivables at amortised cost/Trade receivables at FVTPL

As at 31 December 2018, the Group recorded trade receivables at amortised cost of US$3.0 million and trade receivables at FVTPL of US$138.6 million. The trade receivables at FVTPL were the trade receivables arising from the sales of copper products under provisional pricing arrangements. The aggregate trade receivables amounted to US$141.6 million, which decreased by US$93.3 million from US$234.9 million as at 31 December 2017, primarily attributable to the decrease in London Metal Exchange price of copper at the end of December as compared with the end of last year.

Inventories

The inventories held by the Group increased by US$156.6 million from US$383.6 million as at 31 December 2017 to US$540.2 million as at 31 December 2018. In particular, raw materials and spare parts and consumables of the Group as at 31 December 2018 increased by US$142.2 million as compared with that of 31 December 2017. The increase in raw materials was mainly due to the significant increase in stocks of copper concentrate.

Trade payables/Trade payables designated at FVIPL

As at 31 December 2018, the Group recorded trade payables of US$118.2 million and trade payables designated at FVTPL of US$131.8 million. The trade payables designated at FVTPL were the trade payables arising from the purchase of copper concentrate under provisional pricing arrangements. The aggregate trade payables amounted to US$250.0 million, which decreased by US$15.7 million from US$265.7 million as at 31 December 2017, primarily due to the decrease in balance of the copper concentrates purchase payables.

Capital expenditure

	For the year ended 31 December	
	2018	2017
	(US$'000)	*(US$'000)*
Mining and ore processing facilities at Chambishi Southeast Mine of NFCA	**179,847**	141,731
Other mining and ore processing facilities of NFCA	**39,440**	48,436
Mining and ore processing facilities at Luanshya (Baluba Center Mine)	**611**	7,203
Mining and leaching facilities at Luanshya (Muliashi Project)	**–**	661
Smelting facilities at CCS	**7,874**	12,055
Leaching facilities at SML	**2,799**	5,556
Leaching facilities at Huachin Leach	**62,846**	4,210
Mining rights and leaching facilities at CNMC Huachin Mabende	**11,554**	3,890
Smelting facilities at Lualaba Copper Smelter	**93,129**	4,503
Mining and the processing facilities at Kambove Mining	**1,956**	285
Other facilities	**1,532**	50
Total	**401,588**	228,580

The total capital expenditure of the Group increased by US$173.0 million from US$228.6 million in 2017 to US$401.6 million in 2018, mainly due to the investment increases in the Southeast Mine of NFCA, Lualaba Copper Smelter and Huachin Leach 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 still 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, domestic and overseas regulations of governments, 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 economical 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 since copper is 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 2018, the Group employed a total of 6,575 employees (as of 31 December 2017: 5,612 employees), which comprised 686 foreign and 5,889 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 2018, the total cost of employees reflected in the consolidated statement of profit or loss and other comprehensive income amounted to approximately US$86.4 million (2017: US$71.3 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 2018. 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 2018 and 2017, no assets of the Group were pledged.

Gearing ratio

As at 31 December 2018, the gearing ratio was 60.4% (as at 31 December 2017: 45.9%) 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.

2019 OUTLOOK

2018 saw a slowing global economy, rising trade protectionism and increasing regional disputes and uncertainties associated with trade frictions between China and the US. However, the world economy expects to gain new momentum as the two sides hold talks to deescalate their trade war and China pushes forward with its deleveraging and tax cuts to stabilize growth. Meanwhile, given a tight supply-demand balance of copper products worldwide and the growing demand from new energy sectors for cobalt, the prices of copper and cobalt remain promising in the long-term.

In 2019, 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, Chambishi West Mine and Chambishi Southeast 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 smelting in CCS and leaching in Muliashi Leach Plant, SML in Zambia and Huachin Leach and CNMC Huachin Mabende in DRC so as to improve the output and quality of blister copper, copper cathode, sulphuric acid, copper-cobalt alloy and cobaltous hydroxide, 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, continue to expedite the construction of Blister Copper Smelting Project of Lualaba Copper Smelter in DRC, and promote the standardized production in Chambishi Southeast Mine and the reconstruction and expansion project of Huachin Leach. It will also concentrate on the project exploration of Kambove Mining and commence its construction as soon as possible, in hope of enhancing efficiency and providing new production sources for the Company.

OTHER INFORMATION

DIVIDEND

During the year ended 31 December 2018, the 2017 final dividend of US¢0.6124 per share had been paid. During the year ended 31 December 2017, no dividends had been paid, declared or proposed.

Subsequent to the reporting period, the Board proposed payment of 2018 final dividend of US¢0.8384 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 31 May 2019 to shareholders whose names appear on the register of members of the Company on 6 June 2019. The proposed Final Dividend will be paid on Tuesday, 18 June 2019 after approval at the AGM.

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on Friday, 31 May 2019. 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, 28 May 2019 to Friday, 31 May 2019 (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, 27 May 2019 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, 27 May 2019.

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 Thursday, 6 June 2019. To be qualified to receive the Final Dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch 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 5 June 2019.

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 complied with the Model Code for the year ended 31 December 2018.

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

As at 31 December 2018, 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 2018, 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 2018, 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 ("**Yunnan & Hongkong Metal**")	38%
Kingsail Limited	Yunnan & Hongkong Metal	40%

* *Translation of English terms for reference purposes only*

Save as disclosed above, as at 31 December 2018, 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

For the year ended 31 December 2018, the Company has always 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.

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. As at the date of this announcement, the Audit Committee consists of three members, being Mr. Jinjun ZHANG *(note)* (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 2018 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.

Note:

Mr. Jinjun ZHANG has become a non-executive Director, member of Audit Committee, nomination committee and remuneration committee with effect from 29 March 2019. At the time when the Group's financial statements for the year ended 31 December 2018 was reviewed and approved, Mr. Diyong YAN was a non-executive Director and a member of the Audit Committee instead.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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 2018.

SUBSEQUENT EVENT AFTER THE END OF FINANCIAL YEAR

The Board announces that with effect from 29 March 2019: (1) Mr. Diyong YAN has resigned as a non-executive Director, the vice chairman, a member of the Audit Committee, the nomination committee and the remuneration committee of the Company; (2) Mr. Jinjun ZHANG has been appointed as a non-executive Director, the vice chairman, a member of the Audit Committee, the nomination committee and the remuneration committee of the Company. On the same date, Mr. Jinjun ZHANG resigned as the vice president of the Company. For further details, please refer to the announcement of the Company dated 29 March 2019 published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.cnmcl.net).

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
Tongzhou WANG
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the board of directors of the Company comprises Mr. Tongzhou WANG, Mr. Xiaowei WANG, Mr. Lin ZHANG, Mr. Chunlai WANG and Mr. Kaishou XIE, as executive Directors; Mr. Jinjun ZHANG as non-executive Director; and Mr. Chuanyao SUN, Mr. Jingwei LIU and Mr. Huanfei GUAN as independent non-executive Directors.