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: 01258)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS OF THE GROUP

In 2019, the Group's production system continues to maintain its high-load operations, with its major infrastructure obtaining milestone progress. However, attributed to the year-on-year decline in global copper prices, the Group recorded revenue of US$2,008.7 million, representing a decrease by US$44.6 million from US$2,053.3 million in 2018.

In 2019, the Group recorded profit of US$224.5 million, representing a decrease by US$19.5 million from US$244.0 million in 2018.

In 2019, the Group recorded profit attributable to owners of the Company of US$134.9 million, representing a decrease by US$11.4 million from US$146.3 million in 2018.

In 2019, basic earnings per share attributable to owners of the Company was approximately US¢3.87 (equivalent to approximately HK$0.30), representing a decrease by approximately US¢0.32 (equivalent to approximately HK$0.03) from approximately US¢4.19 (equivalent to approximately HK$0.33) in 2018.

The Board proposes a payment of US¢0.7740 per share as final dividend for the year of 2019.

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 2019, together with the comparative figures for the corresponding period in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** ***US$'000***	2018 *US$'000*
Revenue from contracts with customers	3, 4	**2,008,719**	2,053,320
Cost of sales		**(1,540,246)**	(1,552,788)
Gross profit		**468,473**	500,532
Other income		**13,455**	13,241
Other gains and losses	5	**(32,979)**	(44,852)
Distribution and selling expenses		**(41,920)**	(46,507)
Administrative expenses		**(64,430)**	(62,738)
Other expenses		**(1,908)**	(11,235)
Finance costs	6	**(16,656)**	(24,580)
Profit before tax		**324,035**	323,861
Income tax expense	7	**(99,521)**	(79,883)
Profit and total comprehensive income for the year		**224,514**	243,978
Profit and total comprehensive income attributable to:			
Owners of the Company		**134,874**	146,260
Non-controlling interests		**89,640**	97,718
		224,514	243,978
Earnings per share			
– Basic and diluted	9	**US ¢3.87/share**	US ¢4.19/share
– Basic and diluted (HK$ equivalent)	9	**HK$0.30/share**	HK$0.33/share

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	2019 US$'000	2018 US$'000
ASSETS			
Non-current Assets			
Property, plant and equipment		**1,693,734**	1,295,449
Right-of-use assets		**19,860**	–
Mining rights		**78,225**	–
Finance lease receivables		**–**	67
Restricted bank balances		**6,146**	6,044
Deferred tax assets		**18,735**	42,823
Prepayments and other receivables		**94,391**	90,782
		1,911,091	1,435,165
Current Assets			
Inventories	10	**530,093**	540,219
Finance lease receivables		**63**	234
Trade receivables at amortised cost	11	**11,496**	3,023
Trade receivables at fair value through profit or loss ("**FVTPL**")	11	**162,212**	138,616
Prepayments and other receivables		**218,069**	204,568
Derivatives		**–**	3,413
Restricted bank balances		**1,297**	2,676
Bank balances and cash		**481,210**	505,091
		1,404,440	1,397,840
Total Assets		**3,315,531**	2,833,005

	Notes	**2019** **US$'000**	2018 US$'000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		**613,233**	613,233
Retained profits		**400,571**	294,949
Equity attributable to owners of the Company		**1,013,804**	908,182
Non-controlling interests		**522,272**	388,373
Total Equity		**1,536,076**	1,296,555
Non-current Liabilities			
Deferred tax liabilities		**44,775**	45,593
Bank and other borrowings – due after one year	13	**894,480**	534,987
Lease liabilities		**18,601**	–
Provision for restoration, rehabilitation and environmental costs		**23,131**	18,010
Deferred income		**16,566**	15,528
		997,553	614,118
Current Liabilities			
Trade payables	12	**156,478**	118,229
Trade payables designated at FVTPL	12	**116,051**	131,760
Other payables and accrued expenses		**84,034**	51,867
Income tax payable		**97,306**	85,435
Bank and other borrowings – due within one year	13	**301,298**	527,494
Lease liabilities		**6,802**	–
Contract liabilities		**18,502**	7,547
Derivative		**1,431**	–
		781,902	922,332
Total Liabilities		**1,779,455**	1,536,450
Total Equity and Liabilities		**3,315,531**	2,833,005

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	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*
At 1 January 2018	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	–
At 31 December 2018	613,233	294,949	908,182	388,373	1,296,555
Profit and total comprehensive income for the year	–	134,874	134,874	89,640	224,514
Dividend declared by a subsidiary	–	–	–	(14,400)	(14,400)
Capital contribution by a non-controlling shareholder of a subsidiary	–	–	–	58,659	58,659
Dividend declared by the Company	–	(29,252)	(29,252)	–	(29,252)
At 31 December 2019	**613,233**	**400,571**	**1,013,804**	**522,272**	**1,536,076**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 US$'000	2018 US$'000
NET CASH FROM OPERATING ACTIVITIES	**368,736**	205,729
NET CASH USED IN INVESTING ACTIVITIES	**(420,080)**	(302,546)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**28,748**	(252,816)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(22,596)**	(349,633)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**505,091**	854,984
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**(1,285)**	(260)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER,		
Represented by:		
Bank balances and cash	**481,210**	505,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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**"), as at the date of this announcement, the Company's immediate holding company is China Nonferrous Mining Development Limited, a private company incorporated in the British Virgin Islands ("**CNMD**"), 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 Unit 1303, 13/F, Austin Tower, 22-26 Austin Avenue, Tsimshatsui, Kowloon, Hong Kong, and its principal places of business are located at 32 Enos Chomba Road, Kitwe, the Republic of Zambia ("**Zambia**") and Bloc B-Luano City-Route Aeroport Commune Annexe Lubumbashi, the Democratic Republic of Congo ("**DRC**").

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in exploration, mining, ore processing, leaching, smelting of copper and cobalt and sale of copper cathodes, blister copper, copper anode, copper-cobalt alloy, cobaltous hydroxide 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 2019 and 2018 included in this preliminary announcement of annual results 2019 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 2018 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 2019 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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after the 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

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

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

2.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. No difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.33% per annum.

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

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

2.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

	At 1 January 2019
	US$'000
Operating lease commitments disclosed as at 31 December 2018	**8,345**
Lease liabilities discounted at relevant incremental borrowing rates	**8,041**
Lease liabilities as at 1 January 2019	**8,041**
Analysed as	
Current	**5,488**
Non-current	**2,553**
	8,041

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets
	US$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	8,041

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

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

2.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	**Carrying amounts under HKFRS 16 at 1 January 2019**
	US$'000	*US$'000*	***US$'000***
Non-current Assets			
Right-of-use assets	–	8,041	**8,041**
Current Liabilities			
Lease liabilities	–	5,488	**5,488**
Non-current Liabilities			
Lease liabilities	–	2,553	**2,553**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

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

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1 January 2021.

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1 January 2020.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregation of revenue from contracts with customers

	2019	
	Leaching	**Smelting**
	US$'000	***US$'000***
Types of goods		
Sales of goods to external customers		
Copper cathodes	**553,672**	**–**
Blister copper	**–**	**797,159**
Copper anode	**–**	**547,482**
Sulfuric acid	**–**	**110,406**
Total	**553,672**	**1,455,047**
Timing of revenue recognition		
A point in time	**553,672**	**1,455,047**

	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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(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.

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 board of directors (the "**Board**"), being the chief operating decision maker (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 2019

	Leaching *US$'000*	**Smelting** *US$'000*	**Consolidated** *US$'000*
Total segment revenue	**553,672**	**1,515,610**	**2,069,282**
Less: inter-segment sales	**–**	**(60,563)**	**(60,563)**
Revenue from external customers	**553,672**	**1,455,047**	**2,008,719**
Segment profit	**145,893**	**89,685**	**235,578**
Unallocated income*			**3,579**
Unallocated expenses#			**(14,643)**
Profit for the year			**224,514**

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

* 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:

	2019	2018
	US$'000	*US$'000*
Segment assets		
Leaching	**801,444**	675,198
Smelting	**2,326,832**	1,897,813
Total segment assets	**3,128,276**	2,573,011
Unallocated assets*	**190,694**	262,771
Elimination	**(3,439)**	(2,777)
Consolidated assets	**3,315,531**	2,833,005
Segment liabilities		
Leaching	**367,736**	399,482
Smelting	**1,311,231**	1,028,962
Total segment liabilities	**1,687,967**	1,428,444
Unallocated liabilities*	**103,927**	110,783
Elimination	**(3,439)**	(2,777)
Consolidated liabilities	**1,779,455**	1,536,450

* 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

	2019	2018
	US$'000	*US$'000*
Loss on disposal of property, plant and equipment, net	**(300)**	(891)
Impairment (losses) reversal		
– input VAT receivables	**(5,879)**	(10,026)
– financial assets under ECL	**2,316**	–
Foreign exchange losses, net*	**(24,883)**	(40,866)
Gain (loss) from changes in fair value of financial assets/liabilities at FVTPL		
– derivatives	**(1,652)**	8,658
– trade receivables at FVTPL	**515**	(64,854)
– trade payables designated at FVTPL	**(3,096)**	63,127
	(32,979)	(44,852)

* The amount included exchange losses arising from the retranslation of input VAT receivables denominated in Zambia Kwacha ("**ZMK**") to US$ amounting to US$23,344,000 during the current year (2018: US$37,002,000).

6. FINANCE COSTS

	2019	2018
	US$'000	*US$'000*
Interest on bank and other borrowings	**61,947**	57,546
Unwinding of the discount	**926**	818
	62,873	58,364
Less: amounts capitalised in construction in progress arose on the borrowings specifically for the purpose of qualifying assets	**(46,217)**	(33,784)
	16,656	24,580
The weighted average capitalisation rate used to determine the amount of borrowing costs arose on the borrowings specifically eligible for capitalisation (per annum)	**5.48%**	5.33%

7. INCOME TAX EXPENSE

Income tax expense recognised in profit or loss:

	2019	2018
	US$'000	*US$'000*
Current tax:		
– Income tax in The Republic of Ireland ("**Ireland**")	**5**	6
– Income tax in DRC	**30,975**	33,702
– Income tax in Zambia	**45,271**	44,946
	76,251	78,654
Deferred tax		
– Current year	**23,270**	1,229
Total income tax expense	**99,521**	79,883

Income tax in Ireland is calculated at 12.5% (2018: 12.5%) on the estimated assessable income.

Income tax in DRC is calculated at 30% (2018: 30%) on the estimated assessable income.

Income tax in Zambia is calculated at 35% (2018: 35%) on the assessable income, except for that arising from mining activities which is stated as below.

For both reporting periods, 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**") is 35%, and the applicable tax rate on the assessable income of NFCA, Luanshya and Sino-metals Leach Zambia Limited ("**SML**") 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 second year of 25% income tax relief during the current year (2018: 25%). The remaining phase of production facilities of CCS is still under the tax holiday during the current year.

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 withholding income tax in Zambia at tax rate of 7.5%.

For both reporting periods, certain dividend income of CNMHK from DRC subsidiaries may be subject to withholding income tax in DRC at tax rate of 10%.

8. DIVIDENDS

	2019	2018
	US$'000	*US$'000*
Dividends recognised as distribution during the year:		
2019 Final, paid – US¢ 0.8384 per share	**29,252**	–
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 2019 of US¢ 0.7740 per share amounting to approximately US$27,005,200 (2018: US¢0.8384 per share amounting to US$29,252,100) 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

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

	2019	2018
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share *(in US$'000)*	**134,874**	146,260
Number of ordinary shares for the purpose of basic and diluted earnings per share *(in '000)*	**3,489,036**	3,489,036
Earnings per share		
– Basic and diluted	**US¢3.87/share**	US¢4.19/share
– Basic and diluted *(HK$ equivalent)*	**HK$0.30/share**	HK$0.33/share

During the years ended 31 December 2019 and 2018, there was no potential ordinary share outstanding with diluted impact.

10. INVENTORIES

	2019	2018
	US$'000	*US$'000*
Raw materials	**323,677**	366,262
Spare parts and consumables	**101,528**	94,704
Work in progress	**84,203**	66,179
Finished goods	**20,685**	13,074
	530,093	540,219

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

	2019	2018
	US$'000	*US$'000*
Trade receivables at amortised cost		
– contracts with customers	**12,020**	5,863
Less: Allowance for credit losses	**(524)**	(2,840)
	11,496	3,023
Trade receivables at FVTPL		
– contracts with customers	**162,212**	138,616

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

	2019	2018
	US$'000	*US$'000*
0 to 30 days	**6,450**	1,542
31 to 90 days	**3,263**	1,021
91 to 180 days	**360**	258
181 to 365 days	**1,423**	202
	11,496	3,023

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

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

	2019	2018
	US$'000	*US$'000*
0 to 30 days	**144,259**	129,931
31 to 90 days	**13,085**	7,996
91 to 180 days	**4,868**	689
	162,212	138,616

12. TRADE PAYABLES/TRADE PAYABLES DESIGNATED AT FVTPL

	2019	2018
	US$'000	*US$'000*
Trade payables	**156,478**	118,229
Trade payables designated at FVTPL	**116,051**	131,760

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

	2019	2018
	US$'000	*US$'000*
0 to 30 days	**74,979**	49,265
31 to 90 days	**18,042**	14,769
91 to 180 days	**17,517**	4,812
181 to 365 days	**630**	1,961
1–2 years	**981**	344
Over 2 years	**44,329**	47,078
	156,478	118,229

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

	2019	2018
	US$'000	*US$'000*
0 to 30 days	**85,941**	80,155
31 to 90 days	**11,976**	19,738
91 to 180 days	**10,728**	21,171
181 to 365 days	**7,406**	10,696
	116,051	131,760

13. BANK AND OTHER BORROWINGS

	2019	2018
	US$'000	*US$'000*
Bank loans, unsecured	**1,043,693**	924,032
Loan from a fellow subsidiary, unsecured	**130,000**	138,000
Loan from a non-controlling shareholder of a subsidiary, unsecured	**20,000**	–
Interest payable	**2,085**	449
	1,195,778	1,062,481
The carrying amounts are repayable:		
Within one year	**301,298**	527,494
More than one year but not exceeding two years	**365,480**	314,610
More than two years but not exceeding five years	**372,500**	220,377
More than five years	**156,500**	–
	1,195,778	1,062,481
Less: Amounts shown under current liabilities	**(301,298)**	(527,494)
Amounts shown under non-current liabilities	**894,480**	534,987

14. CONTINGENT LIABILITIES

On 4 December 2013, Charles Lubasi Milupi (the "**CLM**") initiated a legal proceeding in the high court for Zambia against the Company's subsidiary, NFCA. CLM averred his beneficial ownership of the property No.S/D26 of Lot 542/M Kalulushi of the Copperbelt Province of Zambia (the "**Property**") and large scale mining license No.7069-HQ-LML (the "**License**"). CLM claims an order for the cancellation of the Property and the License currently issued to NFCA or, as an alternative, a compensation in sum of US$100,000,000 to CLM and any other reliefs of court may deem fit, exclusive of interest and legal costs. The case does not reach the stage of evidence submission. The proceedings in the high court were stayed and referred to arbitration by a ruling of the court dated 3 March 2014. A panel of three arbitrators was appointed and a preliminary meeting was held on 23 June 2016. CLM was supposed to file a statement of case by 7 July 2016 but did not do so. As a result, the case has been become dormant since the date of preliminary meeting. According to the analysis and opinion of the NFCA's lawyer, the possibility of loss by NFCA in this case is remote and the outcome should be favourable to NFCA.

On 18 December 2014, Hybrid Poultry (Z) Ltd. (the "**HP(Z)**") initiated a legal proceeding in the high court for Zambia against NFCA. HP(Z) averred the disturbance to its breeder farms, contamination of water supply and damage to its land etc. were resulted from NFCA's heavy mining operation. HP(Z) claims for compensation in sum of US$25,459,760.17 exclusive of interest and legal costs. The oral hearing is expected to take place from 6 April 2020 to 10 April 2020. The written submissions/legal arguments will be submitted by 24 June 2020 and delivery of a reasoned award will be made within 90 days thereafter. According to the analysis and opinion of the NFCA's lawyer and the report of an independent consultant engaged by Zambia Environmental Management Agency, the claims by HP(Z) are invalid and ongoing continuous environmental monitoring reports indicate no adverse effects from mining operations on the HP(Z)'s farms. The possibility of loss by NFCA in this case is less than 50% and all outcomes are expected to be favourable to NFCA. The directors have not made any provision for any amount arising from the above-mentioned contingency in the consolidated financial statements.

In the process of the parent company's group restructuring the above two legal proceedings were disclosed in the relevant published documents. Accordingly, the Directors disclosed the above information for the benefit of doubts. In the opinion of the Directors, the outcomes of the above legal proceedings should be favourable to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2019, the Group spared no efforts in market expansion, with an equal emphasis on production and management, construction of projects and cost management. To this end, the operation quality and growth momentum improved and the Group has overfulfilled its annual objectives in production and construction.

During the reporting period, the production and sales volumes of the products of the Company achieved steady growth. Revenue, however, has decreased by 2.2% to US$2,008.7 million over the last year due to the influence of decreasing global copper prices as compared with the same period last year.

During the reporting period, the profit attributable to owners of the Company amounted to US$134.9 million, representing a decrease of US$11.4 million over the last year.

Meanwhile, along with the construction and commencement of operation of the planned projects including Chambishi Southeast Mine (with an investment of US$832 million), the blister copper smelting project of Lualaba Copper Smelter SAS (盧阿拉巴銅冶煉股份有限公司*) ("**Lualaba Copper Smelter**") (with an investment of US$437.6 million) and the reconstruction and expansion project of Huachin Metal Leach SA (中色華鑫濕法冶煉股份有限公司*) ("**Huachin Leach**"), the foundation for the Group's business growth will be further consolidated.

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 the Republic of Zambia ("**Zambia**") and the Democratic Republic of the Congo ("**DRC**"). In particular, sulphuric acid is a by-product generated during the blister copper smelting process. Since 2017, the Group has made greater efforts to develop cobalt business.

The businesses of the Group are principally carried out through the following companies: NFC Africa Mining PLC (中色非洲礦業有限公司*) ("**NFCA**"), CNMC Luanshya Copper Mines PLC (中色盧安夏銅業有限公司*) ("**Luanshya**"), Chambishi Copper Smelter Limited (謙比希銅冶煉有限公司*) ("**CCS**") and Sino-Metals Leach Zambia Limited (贊比亞謙比希濕法冶煉有限公司*) ("**SML**") located in Zambia, as well as Huachin Leach located in DRC, CNMC Huachin Mabende Mining SA (中色華鑫馬本德礦業股份有限公司*) ("**CNMC Huachin Mabende**"), Lualaba Copper Smelter and Kambove Mining SAS (剛波夫礦業簡易股份有限公司*) ("**Kambove Mining**") located in the DRC.

* *Translation of English forms for reference purposes only*

In 2019, blister copper and copper anodes, and sulphuric acid produced by the Group amounted to 234,837 tonnes and 700,303 tonnes, representing an increase of 6.5% and 17.9% over last year, respectively. Copper cathodes produced amounted to 104,404 tonnes in total, representing an increase of 7.8% over last year; affected by system improvement work, copper-cobalt alloy produced amounted to 258 tonnes, representing a decrease of 77.3% over last year; cobaltous hydroxide produced amounted to 307 tonnes for the first time as a new product. Following the decrease of global copper price, revenue of the Group decreased by 2.2% from US$2,053.3 million in 2018 to US$2,008.7 million in 2019.

RESOURCES AND RESERVES

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

The same assumptions as those applied in the 2012 prospectus of the Company 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 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 2019, 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 2019				31 December 2018			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Measured	**9.18**	**2.31%**	**–**	**–**	8.03	2.19%	–	–
Indicated	**3.30**	**2.68%**	**–**	**–**	6.68	2.33%	–	–
Inferred	**7.32**	**2.44%**	**–**	**–**	13.79	2.26%	–	–

Note: Chambishi Main Mine produced 268,800 tonnes of ore in 2019.

Chambishi West Mine

JORC category	31 December 2019 Ore *(Mt)*	Average grade Total copper	Oxide copper	Cobalt	31 December 2018 Ore *(Mt)*	Average grade Total copper	Oxide copper	Cobalt
Oxide ore								
Measured	**3.64**	**2.03%**	**1.00%**	**–**	6.54	1.98%	0.83%	–
Indicated	**1.46**	**1.83%**	**0.96%**	**–**	1.06	1.97%	0.96%	–
Inferred	**1.45**	**2.32%**	**1.10%**	**–**	0.52	1.76%	0.79%	–
Sulphide Ore								
Measured	**14.04**	**2.00%**	**–**	**–**	14.13	2.12%	–	–
Indicated	**4.36**	**2.22%**	**–**	**–**	4.59	2.17%	–	–
Inferred	**5.76**	**2.01%**	**–**	**–**	4.44	2.05%	–	–

Note: Chambishi West Mine produced 1,251,900 tonnes of ore in 2019.

Chambishi Southeast Mine

JORC category	31 December 2019 Ore *(Mt)*	Average grade Total copper	Oxide copper	Cobalt	31 December 2018 Ore *(Mt)*	Average grade Total copper	Oxide copper	Cobalt
Measured	**30.61**	**2.32%**	**–**	**0.11%**	28.17	2.35%	–	0.12%
Indicated	**42.21**	**1.93%**	**–**	**0.10%**	38.66	1.84%	–	0.11%
Inferred	**57.67**	**1.77%**	**–**	**0.09%**	73.95	1.88%	–	0.11%

Note: Chambishi Southeast Mine produced 281,600 tonnes of ore (by-product) in 2019.

Mwambashi Mine

JORC category	**31 December 2019** **Ore** *(Mt)*	**Average grade** **Total copper**	**Oxide copper**	**Cobalt**	31 December 2018 Ore *(Mt)*	Average grade Total copper	Oxide copper	Cobalt
Measured	**2.42**	**2.31%**	**1.34%**	**–**	1.37	2.16%	1.05%	–
Indicated	**4.67**	**2.12%**	**0.58%**	**–**	4.83	1.96%	0.68%	–
Inferred	**3.77**	**2.06%**	**–**	**–**	3.28	2.06%	0.48%	–

Note: Mwambashi Mine produced 2,507,200 tonnes of ore in 2019.

Samba Mine

JORC category	**31 December 2019** **Ore** *(Mt)*	**Average grade** **Total copper**	**Oxide copper**	**Cobalt**	31 December 2018 Ore *(Mt)*	Average grade Total copper	Oxide copper	Cobalt
Measured	**–**	**–**	**–**	**–**	–	–	–	–
Indicated	**2.80**	**1.73%**	**–**	**–**	3.00	1.76%	–	–
Inferred	**5.85**	**1.65%**	**–**	**–**	5.85	1.65%	–	–

Note: No mining activities were carried out at Samba Mine in 2019.

Baluba Center Mine

JORC category	**31 December 2019** **Average grade** **Ore** **(*Mt*)**	**Total copper**	**Oxide copper**	**Cobalt**	31 December 2018 Average grade Ore (*Mt*)	Total copper	Oxide copper	Cobalt
Oxide ore								
Measured	**1.19**	**2.46%**	**1.91%**	**0.18%**	–	–	–	–
Indicated	**2.41**	**2.30%**	**1.68%**	**0.14%**	6.56	1.65%	1.14%	0.12%
Inferred	**1.70**	**2.11%**	**1.17%**	**0.13%**	1.62	1.70%	0.93%	0.10%
Sulphide Ore								
Measured	**5.11**	**2.13%**	**0.11%**	**0.14%**	3.96	2.20%	0.08%	0.15%
Indicated	**6.32**	**1.89%**	**0.12%**	**0.12%**	7.11	2.10%	0.08%	0.14%
Inferred	**3.64**	**1.71%**	**0.13%**	**0.14%**	3.62	1.47%	0.06%	0.09%

Note: In 2019, Baluba Center Mine registered 1,250,000 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 2019** **Average grade** **Ore** **(*Mt*)**	**Total copper**	**Oxide copper**	**Cobalt**	31 December 2018 Average grade Ore (*Mt*)	Total copper	Oxide copper	Cobalt
Measured	**6.15**	**1.24%**	**–**	**0.03%**	13.53	1.03%	0.38%	0.02%
Indicated	**5.69**	**1.15%**	**–**	**0.02%**	14.06	0.99%	0.36%	0.02%
Inferred	**21.85**	**1.18%**	**–**	**0.01%**	21.12	0.98%	0.32%	0.02%

Note: Muliashi North Mine registered approximately 3,750,000 tonnes of consumption of resources in 2019.

Mashiba Mine

JORC category	**31 December 2019**				31 December 2018			
		Average grade				Average grade		
	Ore *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Measured	**–**	**–**	**–**	**–**	3.17	1.89%	0.24%	0.02%
Indicated	**6.65**	**2.27%**	**–**	**0.02%**	5.67	1.96%	0.22%	0.03%
Inferred	**1.48**	**1.94%**	**–**	**0.02%**	4.97	1.67%	0.43%	0.04%

Baluba East Mine

JORC category	**31 December 2019**				31 December 2018			
		Average grade				Average grade		
	Ore *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Measured	**15.99**	**1.66%**	**0.65%**	**–**	16.47	1.67	0.68	0.02%
Indicated	**2.52**	**1.25%**	**0.20%**	**–**	2.48	1.24	0.19	0.03%
Inferred	**1.35**	**1.07%**	**0.17%**	**–**	1.35	1.07	0.17	0.04%

Note: Baluba East Mine registered approximately 1,128,000 tonnes of consumption of resources in 2019.

Roan Basin

JORC category	31 December 2019 Ore (Mt)	31 December 2019 Average grade Total copper	Oxide copper	Cobalt	31 December 2018 Ore (Mt)	31 December 2018 Average grade Total copper	Oxide copper	Cobalt
Measured	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–
Inferred	2.02	1.77%	1.45%	–	–	–	–	–

Roan Ext. West

JORC category	31 December 2019 Ore (Mt)	31 December 2019 Average grade Total copper	Oxide copper	Cobalt	31 December 2018 Ore (Mt)	31 December 2018 Average grade Total copper	Oxide copper	Cobalt
Measured	–	–	–	–	–	–	–	–
Indicated	2.49	3.19%	2.97%	–	–	–	–	–
Inferred	0.35	2.46%	2.21%	–	–	–	–	–

Roan Ext. East

JORC category	31 December 2019 Ore (Mt)	31 December 2019 Average grade Total copper	Oxide copper	Cobalt	31 December 2018 Ore (Mt)	31 December 2018 Average grade Total copper	Oxide copper	Cobalt
Measured	–	–	–	–	–	–	–	–
Indicated	4.97	2.49%	2.32%	–	–	–	–	–
Inferred	0.22	2.33%	2.20%	–	–	–	–	–

Smelting Slag

JORC category	31 December 2019 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt	31 December 2018 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt
Measured	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–
Inferred	9.47	1.03%	0.31%	–	–	–	–	–

Kambove Main Mine

JORC category	31 December 2019 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt	31 December 2018 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt
Measured	–	–	–	–	–	–	–	–
Indicated	8.79	3.21%	–	–	–	–	–	–
Inferred	2.67	3.09%	–	–	–	–	–	–

Kambove Main Open Pit Tailings

JORC category	31 December 2019 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt	31 December 2018 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt
Measured	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–
Inferred	1.49	0.72%	–	–	–	–	–	–

Kambove West Open Pit Tailings

JORC category	**31 December 2019** **Ore** *(Mt)*	**Average grade** **Total copper**	**Oxide copper**	**Cobalt**	31 December 2018 Ore *(Mt)*	Average grade Total copper	Oxide copper	Cobalt
Measured	**–**	**–**	**–**	**–**	–	–	–	–
Indicated	**–**	**–**	**–**	**–**	–	–	–	–
Inferred	**2.35**	**1.15%**	**–**	**–**	–	–	–	–

(2) Reserves

Chambishi Main Mine

JORC category	**31 December 2019** **Ore** *(Mt)*	**Average grade** **Total copper**	**Oxide copper**	**Cobalt**	31 December 2018 Ore *(Mt)*	Average grade Total copper	Oxide copper	Cobalt
Proved	**0.96**	**1.73%**	**–**	**–**	4.73	1.69%	–	–
Probable	**5.66**	**1.77%**	**–**	**–**	2.84	1.64%	–	–

Chambishi West Mine

JORC category	**31 December 2019** **Ore** *(Mt)*	**Average grade** **Total copper**	**Oxide copper**	**Cobalt**	31 December 2018 Ore *(Mt)*	Average grade Total copper	Oxide copper	Cobalt
Sulphide Ore								
Proved	**3.00**	**2.00%**	**–**	**–**	4.14	2.02%	–	–
Probable	**9.83**	**1.80%**	**–**	**–**	9.73	1.95%	–	–

Chambishi Southeast Mine

	31 December 2019				31 December 2018			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Proved	**27.08**	**1.91%**	**–**	**0.09%**	22.44	2.00%	–	0.10%
Probable	**16.46**	**1.67%**	**–**	**0.09%**	18.53	1.64%	–	0.09%

Mwambashi Mine

	31 December 2019				31 December 2018			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Proved	**1.32**	**2.22%**	**1.28%**	**–**	5.92	2.07%	1.07%	–
Probable	**3.64**	**2.07%**	**1.05%**	**–**	3.31	2.06%	0.48%	–

Baluba Center Mine

	31 December 2019				31 December 2018			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Proved	**0.80**	**1.34%**	**–**	**0.10%**	2.23	1.38%	0.06%	0.04%
Probable	**0.48**	**1.34%**	**–**	**0.10%**	4.43	1.26%	0.11%	0.09%

Muliashi North Mine

JORC category	31 December 2019 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt	31 December 2018 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt
Proved	–	–	–	–	9.76	1.02%	0.35%	0.02%
Probable	10.66	1.21%	–	–	8.53	0.92%	0.35%	0.02%

Mashiba Mine

JORC category	31 December 2019 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt	31 December 2018 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt
Proved	–	–	–	–	2.66	1.35%	0.17%	–
Probable	5.61	2.11	–	–	4.76	1.40%	0.16%	–

Baluba East Mine

JORC category	31 December 2019 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt	31 December 2018 Ore (Mt)	Average grade Total copper	Oxide copper	Cobalt
Proved	9.61	1.70%	0.81%	–	2.48	1.46%	0.98%	0.05%
Probable	0.14	1.53%	0.50%	–	17.37	1.45%	0.93%	0.05%

Roan Ext. West

	31 December 2019				31 December 2018			
		Average grade				Average grade		
JORC		Total	Oxide			Total	Oxide	
category	Ore	copper	copper	Cobalt	Ore	copper	copper	Cobalt
	(Mt)				*(Mt)*			
Proved	–	–	–	–	–	–	–	–
Probable	1.78	3.09%	3.03%	–	–	–	–	–

Roan Ext. East

	31 December 2019				31 December 2018			
		Average grade				Average grade		
JORC		Total	Oxide			Total	Oxide	
category	Ore	copper	copper	Cobalt	Ore	copper	copper	Cobalt
	(Mt)				*(Mt)*			
Proved	–	–	–	–	–	–	–	–
Probable	3.68	2.14%	2.10%	–	–	–	–	–

Kambove Main Mine

	31 December 2019				31 December 2018			
		Average grade				Average grade		
JORC		Total	Oxide			Total	Oxide	
category	Ore	copper	copper	Cobalt	Ore	copper	copper	Cobalt
	(Mt)				*(Mt)*			
Proved	–	–	–	–	–	–	–	–
Probable	7.63	2.98%	–	–	–	–	–	–

PRODUCTION OVERVIEW

NFCA

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

In 2019, copper contained in copper concentrates produced by NFCA amounted to 14,187 tonnes, representing a decrease by 56% as compared to the same period in the previous year. Such increase was primarily attributable to the fact that copper concentrates, which used to be the final product of NFCA, have been replaced with copper anodes since July 2019. From July to December of 2019, copper anodes produced by NFCA amounted to 11,164 tonnes. In 2019, the total copper mental in copper contained in copper concentrates and copper anodes produced by NFCA recorded a year-on-year decrease of 20.6%.

Luanshya

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

The total copper contained in copper concentrates produced by Luanshya amounted to 4,563 tonnes, representing a decrease by 21.4% as compared to the same period in the previous year mainly due to the fact that copper concentrates, which used to be the final product of Luanshya, have been replaced with blister copper since May 2019. From May to December of 2019, blister copper produced by Luanshya amounted to 7,325 tonnes. In 2019, the total copper metal in copper contained in copper concentrates and blister copper produced by Luanshya recorded a year-on-year increase of 104.7%, mainly due to the resuming production of Baluba underground mines from the latter half of 2018.

The Muliashi Project produced 41,876 tonnes of copper cathodes, remaining relatively stable as compared with the same period in the previous year.

CCS

CCS mainly operates the Chambishi Smelting Plant.

In 2019, CCS produced 214,398 tonnes in total of blister copper and copper anodes, representing a year-on-year decrease of 2.76%. Which is mainly due to some of the production capacity of CCS is used for processing copper anodes for NFCA, and part of the production capacity is used to process blister copper for Luanshya and SML. CCS produced 700,303 tonnes of sulphuric acid in 2019, representing a year-on-year increase of 18%. Due to the process improvement work, the accumulated production of copper-cobalt alloy amounted to 258 tonnes, representing a decrease of 77.3% as compared to the same period in the previous year.

SML

SML mainly operates Mwambashi Mine and the Chambishi Leach Plant.

Copper cathodes produced by SML in 2019 amounted to 6,973 tonnes, representing an increase of 26.3% as compared to the same period in the previous year. Processing plants under SML produced 1,964 tonnes of copper contained in copper concentrates in 2019, representing a decrease of 48.3% as compared to the same period in the previous year. The decrease of copper contained in copper concentrates was mainly attributable to the fact that copper concentrates, which used to be the final product of SML, had been replaced with blister copper since July 2019. From July to December of 2019, blister copper produced by SML amounted to 1,950 tonnes. The total mental in copper contained in copper concentrates and blister copper produced by the company recorded a year-on-year increase of 3.1%.

CNMC Huachin Mabende

CNMC Huachin Mabende produced 32,409 tonnes of copper cathodes, representing a decrease of 6.6% as compared with the same period in the previous year, mainly attributable to a year-on-year decrease in ore processing amount and ore grade.

Huachin Leach

Huachin Leach accumulatively produced 23,146 tonnes of copper cathodes, representing an increase by 56.6% as compared to the same period in the previous year, mainly attributable to the expanding scale of production, and a significant year-on-year increase in ore processing amount. Meanwhile, Huachin Leach produced 307 tonnes of cobaltous hydroxide for the first time.

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

	Production volume for 2019 (1), (2), (3) ***(Tonnes)***	Production volume for 2018(1) *(Tonnes)*	Year-on-year growth/ (decrease) *(%)*
Copper concentrates	**20,536**	37,205	**-44.8%**
Blister copper & copper anodes	**234,837**	220,479	**6.5%**
Copper cathodes	**104,404**	96,870	**7.8%**
Copper-cobalt alloy	**258**	1,136	**-77.3%**
Cobaltous hydroxide	**307**	–	
Sulphuric acid	**700,303**	593,983	**17.9%**

Notes:

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

(2) The copper-cobalt alloy production contains approximately 57 tonnes of copper and approximately 21 tonnes of cobalt; cobaltous hydroxide contains approximately 105 tonnes of cobalt.

(3) Since May 2019, the final product of Luanshya has been changed from copper concentrates to blister cooper. Since July 2019, the final product of NFCA has been changed from copper concentrates to copper anodes. Since July 2019, the final product of SML has been changed from copper concentrates to blister copper.

EXPLORATION, DEVELOPMENT AND MINING COST OF THE GROUP

Expenses of exploration, development, and mining activities of the Group for the year ended 31 December 2019 are set out below:

2018	NFCA			Luanshya					SML	CNMHK		CNMC	Kambove Mining	
Unit: Million US dollars	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	PE12094 Mine	Mabende PE5276-ER Mine	Main mineral deposit	Total
Exploration activities														
Drilling and analysis	0.89	0.88	0.78	–	–	0.06	–	–	0.02	0.23	2.28	0.08	2.15	7.17
Others	–	–	–	–	–	0.08	–	0.18	0	–	–	0.04	–	0.30
Sub-total	**0.89**	**0.88**	**0.78**	**–**	**–**	**0.14**	**–**	**0.18**	**0.02**	**–**	**–**	**–**	**2.15**	**5.04**
Development activities (including mine construction)														
Purchases of assets and equipment	–	–	6.88	–	–	–	–	–	0	–	–	–	25	31.88
Civil work for construction of tunnels and roads	2.98	22.08	–	–	–	–	–	–	0	–	–	–	0.88	25.99
Staff cost	–	–	–	–	–	–	–	–	0	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	0	–	–	–	–	–
Sub-total	**2.98**	**22.08**	**6.88**	**–**	**–**	**–**	**–**	**–**	**0**	**–**	**–**	**–**	**25.88**	**57.82**
Mining activities (excluding ore processing)														
Staff cost	5.39	–	2.22	0.09	–	–	–	–	0.27	–	–	–	–	7.97
Materials and equipment	10.84	–	2.68	1.47	0.19	–	0.87	–	0.69	–	–	–	–	16.74
Fuel, electricity, water and others services	11.40	–	6.06	0.01	–	–	–	–	0.18	–	–	–	–	17.65
On-site and remote system management	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-income taxes, royalties and other government expenses	–	–	4.82	14.17	0.49	–	2.87	–	–	–	–	–	–	22.35
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sub-contracting charges	52.89	–	17.86	30.14	4.58	–	11.41	–	9.92	–	–	–	–	126.8
Depreciation	6.47	–	2.44	17.95	1.24	–	1.20	–	4.57	–	–	–	–	33.87
Sub-total	**86.99**	**–**	**36.08**	**63.82**	**6.49**	**–**	**16.35**	**–**	**15.63**	**–**	**–**	**–**	**–**	**225.4**

MINING EXPLORATION, MINING DEVELOPMENT AND ORE MINING ACTIVITIES

Mining Exploration

During the reporting period, NFCA, Luanshya, SML, Huachin Mabende and Kambove Mining, each being 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, 297 drilling holes with 23,491.54m drilled in the pit were completed, of which, 78 underground drilling holes were completed at Chambishi West Mine with 7,106.8m drilled and 219 drilling holes in the pit were completed at Chambishi Southeast Mine with 16,384.74m.

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.

3 drilling holes were completed at SML Samba Mine, with 666m drilled.

At Huachin Macbende PE5276, a drilling diameter of 3970.36m was completed with a geological prospecting profile of 12,200m. Construction of 1 shallow well was conducted with a total of 6.2m 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 were 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 42 to 43.

Mining Activities

For details of mining activities, please refer to "Production Overview" on pages 36 to 39.

Infrastructure projects, subcontracting arrangements and procurement of equipment

The par value of new infrastructure project contracts entered into by the Group in 2019 amounted to approximately US$9.78 million.

No subcontracting arrangements were entered into by the Group during 2019*.

During 2019, contracts which amounted to approximately US$23.57 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, and laboratory purposes 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 is awarded 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. Since the commencement of construction, its accumulative drilling volume of wells and tunnels had reached 972,000m^3/870,000m^3 by the end of 2019. As at the end of 2019, it was under pilot production.

Luanshya

Baluba East Strip Mine project

Baluba East Strip Mine project has a designated capacity of 900,000 tonnes of quality oxide ore per annum and an output of 10,000 tonnes of copper cathodes. The developmental stripping for the project was completed by the end of June 2018, in which US$865,000 had been invested in 2018. As at the end of December 2019, a total amount of US$6,930,000 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. Construction of project was completed and commencement of production took place at the first quarter of 2019. The accumulated investment completed amounted to approximately US$51.48 million.

CNMC Huachin Mabende

Reconstruction and Expansion Project of CNMC Huachin Mabende

The project has a designated production output 45,000 tonnes of copper anodes per annum and a total investment of US$18.91 million. As at the end of 2019, the accumulated investment completed was approximately US$11.61 million.

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 has commenced on 28 March 2018 and was expected to continue for two years. As of the end of 2019, the copper system of the project has been completed, in which the blister copper was successfully produced on November 2019. The cooling system is being installed for waste heat power station, and the remaining auxiliary engineering maintenance workshops, bathrooms, fence barbed wire and other facilities are progressing as scheduled. As at the end of 2019, the accumulated investment completed of the project amounted to approximately US$320 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. The capacity of copper-cobalt amounts to 10,000 tonnes per annum and the investment budget is US$33.10 million. As at the end of 2019, the installation of equipment was being conducted for the cobalt system.

Kambove Mining

The Integrating Exploration and Construction Project of Kambove

The Kambove project has a planned annual processing capacity of 990,000 tonnes of oxidized ore, 500,000 tonnes of tailings, and has a planned annual production capacity of 28,000 tonnes of copper cathode, 978 tonnes of blister cobaltous hydroxide with an estimated investment of US$238 million in total and a tentative construction period of 21 months. As at the end of 2019, preparatory work for this project has been completed with the plan to commence construction in January 2020.

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							
	2019				2018			
	Sales Volume (Note) **(Tonnes)**	**Average Selling Price** ***(US$ per tonne)***	**Revenue** ***(US$'000)***	**% of Total Revenue** ***(%)***	Sales Volume (Note) *(Tonnes)*	Average Selling Price *(US$ per tonne)*	Revenue *(US$'000)*	% of Total Revenue *(%)*
Blister copper and copper anode	**235,119**	**5,719**	**1,344,641**	**67**	219,932	6,199	1,363,284	66.4
Copper cathodes	**104,324**	**5,307**	**553,672**	**27.6**	99,293	6,013	597,006	29.1
Copper-cobalt alloy	**–**	**–**	**–**	**–**	1,251	6,477	8,100	0.4
Sulphuric acid	**493,586**	**224**	**110,406**	**5.4**	381,554	223	84,930	4.1
Total			**2,008,719**	**100.0**			2,053,320	100.0

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

Revenue

The revenue of the Group decreased by 2.2% from US$2,053.3 million in 2018 to US$2,008.7 million in 2019. In 2019, the Group's revenue generated from blister copper and copper anodes, copper cathodes and sulphuric acid accounted for 67%, 27.6% and 5.4%, respectively, of the total revenue.

The revenue from blister copper and copper anodes decreased by 1.4% from US$1,363.3 million in 2018 to US$1,344.6 million in 2019, mainly due to the decrease of global copper prices.

The revenue from copper cathodes decreased by 7.3% from US$597.0 million in 2018 to US$553.7 million in 2019, mainly due to the decrease of global copper price as compared with the same period last year.

The revenue from sulphuric acid increased by 30.0% from US$84.9 million in 2018 to US$110.4 million in 2019, mainly attributed to the significant increase in sales volume as compared with the same period last year.

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							
	2019				2018			
	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 anodes	**1,211,160**	**5,151**	**133,481**	**9.9**	1,201,823	5,464	161,461	11.8
Copper cathodes	**314,744**	**3,011**	**238,928**	**43.2**	332,906	3,353	264,100	44.2
Copper-cobalt alloy	**–**	**–**	**–**	**–**	3,959	3,165	4,140	51.1
Sulphuric acid	**14,342**	**29**	**96,064**	**87.0**	14,100	37	70,831	83.4
Total	**1,540,246**		**468,473**	**23.3**	1,552,788		500,532	24.4

The cost of sales of the Group decreased by 0.8% from US$1,552.8 million in 2018 to US$1,540.2 million in 2019, primarily due to the decrease in unit production costs of copper cathodes.

The cost of sales in respect of blister copper and copper anodes increased by 0.8% from US$1,201.8 million in 2018 to US$1,211.2 million in 2019, primarily due to the increase in the volume of sales as compared with the same period last year.

The cost of sales in respect of copper cathodes decreased by 5.5% from US$332.9 million in 2018 to US$314.7 million in 2019, primarily due to the decrease in unit production costs as compared with the same period last year .

The cost of sales in respect of sulphuric acid increased by 1.7% from US$14.1 million in 2018 to US$14.3 million in 2019, primarily due to the increase in sales volume as compared with the same period last year.

Gross profit and gross profit margin

The Group recorded a gross profit of US$468.5 million in 2019, representing a decrease of 6.4% from US$500.5 million in 2018. The gross profit margin decreased from 24.4% in 2018 to 23.3% in 2019. In particular:

The gross profit margin of blister copper and copper anodes decreased from 11.8% in 2018 to 9.9% in 2019, primarily attributable to the decrease in global copper price and the increase in processing costs as compared with the same period last year.

The gross profit margin of sulphuric acid increased from 83.4% in 2018 to 87.0% in 2019, primarily due to the decrease in unit production costs as compared with the same period last year .

Distribution and selling expenses

The distribution and selling expenses of the Group amounted to US$41.9 million in 2019, representing a decrease of 9.9% from US$46.5 million in 2018, primarily due to the decreases in sales volume of sulphuric acid to Congo and the corresponding delivery expenses as compared with the same period last year.

Administrative expenses

The administrative expenses of the Group increased by 2.7% from US$62.7 million in 2018 to US$64.4 million in 2019, primarily due to the expanding scale of production.

Finance costs

The finance costs of the Group decreased by 32.1% from US$24.6 million in 2018 to US$16.7 million in 2019, primarily due to the decrease of the balance of liquidity borrowings.

Other gains and losses

Other gains and losses of the Group decreased by US$11.9 million from a net loss of US$44.9 million in 2018 to a net loss of US$33.0 million in 2019, mainly due to the decrease in exchange loss as compared with the same period last year.

Income tax expense

The income tax expenses of the Group increased by US$19.6 million from US$79.9 million in 2018 to an expense of US$99.5 million in 2019, mainly due to the increase in composite tax rate as compared with the same period last year.

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 decreased by 7.8% from US$146.3 million in 2018 to a profit of US$134.9 million in 2019. 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 7.1% in 2018 and 6.7% in 2019, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Net cash flows generated from operating activities

Cash inflows generated from operating activities are primarily attributable to the sales revenue of copper and sulphuric acid products and cash outflows are primarily attributable to various operating expenses. Net cash flows generated from the operating activities of the Group increased by 79.2% from an inflow of US$205.7 million in 2018 to an inflow of US$368.7 million in 2019, primarily attributable to the decrease in procurement of raw materials as compared with the same 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 38.9% from an outflow of US$302.5 million in 2018 to an outflow of US$420.1 million in 2019, primarily attributable to the increase of investments in Lualaba Copper Smelter projects.

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 increased by US$281.5 million from an outflow of US$252.8 million in 2018 to an inflow of US$28.7 million in 2019, primarily due to the drawdown of new bank borrowings.

Bank balances and cash

The Group's bank balances and cash (including cash, time deposits and demand deposits) decreased by US$23.9 million from US$505.1 million as at 31 December 2018 to US$481.2 million as at 31 December 2019.

Trade receivables at amortised cost/Trade receivables at FVTPL

As at 31 December 2019, the Group recorded trade receivables at amortised cost of US$11.5 million and trade receivables at FVTPL of US$162.2 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$173.7 million, which increased by US$32.1 million from US$141.6 million as at 31 December 2018, primarily attributable to the increase in trade receivables resulting from the fact that the copper products was not settled at the end of the reporting period and the increase in sales volume of copper products as compared with the same period last year.

Inventories

The inventories held by the Group decreased by US$10.1 million from US$540.2 million as at 31 December 2018 to US$530.1 million as at 31 December 2019, which was mainly due to a year-on-year decrease in the inventories of the outside purchase of raw materials.

Trade payables/Trade payables designated at FVIPL

As at 31 December 2019, the Group recorded trade payables of US$156.5 million and trade payables designated at FVTPL of US$116.0 million. The trade payables designated at FVTPL were the trade payables arising from the purchase of copper concentrates under provisional pricing arrangements. The aggregate trade payables amounted to US$272.5 million, which increased by US$22.5 million from US$250.0 million as at 31 December 2018, primarily due to the increase in balance of the settlement payable of raw materials.

Capital expenditure

	For the year ended 31 December	
	2019	2018
	(US$'000)	*(US$'000)*
Mining and ore processing facilities at Chambishi Southeast Mine of NFCA	**155,346**	179,847
Other mining and ore processing facilities of NFCA	**14,149**	39,440
Mining and ore processing facilities at Luanshya (Baluba Center Mine)	**19,730**	611
Mining and leaching facilities at Luanshya (Muliashi Project)	**9,826**	–
Smelting facilities at CCS	**13,334**	7,874
Leaching facilities at SML	**3,947**	2,799
Leaching facilities at Huachin Leach	**16,742**	62,846
Mining rights and leaching facilities at CNMC Huachin Mabende	**22,527**	11,554
Smelting facilities at Lualaba Copper Smelter	**219,135**	93,129
Mining and the processing facilities at Kambove Mining	**10,333**	1,956
Other facilities	**–**	1,532
Total	**485,069**	401,588

The total capital expenditure of the Group increased by US$83.5 million from US$401.6 million in 2018 to US$485.1 million in 2019, mainly due to the increased investments in the Lualaba Copper Smelter projects.

Principal risks and uncertainties

Although the Company has established a 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 impacts 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 fluctuations of copper price mainly reflect the changes in supply and demand of copper products, the market uncertainties and other factors which are out of the 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, accessibility of other metals, domestic and overseas regulations of governments, natural disasters and weather conditions. Price fluctuations 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 mainly derives from 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 exposures in relation to forecasted sales of copper products, forecasted purchase of copper concentrates, 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 expediting 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 2019, the Group employed a total of 8,188 employees (as of 31 December 2018: 6,575 employees), which comprised 870 Chinese and 7,318 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 2019, the total cost of employees reflected in the consolidated statement of profit or loss and other comprehensive income amounted to approximately US$103.9 million (2018: US$86.4 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 2019. 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 2019 and 2018, no assets of the Group were pledged.

Gearing ratio

As at 31 December 2019, the gearing ratio was 69.7% (as at 31 December 2018: 60.4%) which is calculated by the net debts (being bank and other borrowings minus bank balances and cash, and restricted bank balances) divided by the total equity attributable to owners of the Company.

Contingent liabilities

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

2020 OUTLOOK

The pneumonia epidemic caused by Coronavirus Disease 2019 ("**COVID-19**") and its impact on the global economy constitute the biggest "Black Swan Event" in early 2020. However, taking into account the history and actual circumstances, especially with China's combat against the pandemic, it is demonstrated that mankind soon will overcome the impact of the epidemic and economies and societies will eventually return to growth. As the businesses of the Group are mainly in regions of south central Africa, Zambia and the DRC which are affected by the epidemic to a limited extent until the report is disclosed, its production, operation and construction are able to maintain stable and orderly development. Meanwhile, given a tight worldwide supply-demand balance of copper products and the growing demand from new energy sectors for copper and cobalt, the prices of copper and cobalt remain promising in the long-term.

In 2020, the Group will continue to follow its own development strategy. It will keep increasing investments in geological exploration and development, give particular 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 increasing 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, so as to increase the production volume of copper concentrate and oxide ore from its own mines. Tremendous efforts will be put in the technological management of smelting in CCS and Lualaba Copper Smelter, and leaching in Muliashi Leach Plant, SML in Zambia and Huachin Leach and CNMC Huachin Mabende in the 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 continue its focus on the construction of key projects, promote the system improvement and standardized production in Chambishi Southeast Mine and the reconstruction and expansion project of CNMC Huachin Mabende. It will also place emphasis on the construction of the integrating exploration and construction project of Kambove Mining, in hopes of enhancing efficiency and providing new growth points for the Company.

OTHER INFORMATION

PROPOSED REORGANISATION AT CONTROLLING SHAREHOLDER LEVEL

As part of an intra-group restructuring, 中國有色金屬建設股份有限公司(China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd.) ("**NFC**"), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000758.SZ) and also a subsidiary of CNMC, proposed to acquire from CNMD the controlling interest of the Company (the "**Reorganisation**").

Following completion of the Reorganisation, the controlling interest of approximately 74.52% of the Company's total issued share capital will be directly held by NFC, such that the immediate holding company of the Company will change from CNMD to NFC and the Company will become a subsidiary of NFC. The Company remains an indirect subsidiary of CNMC notwithstanding the Reorganisation and doesn't change the Company's independent listing status in Hong Kong market. Before and subsequent to the change of immediate holding company, the ultimate holding company of the Company is CNMC.

The Reorganisation, if materialised, will be subject to various conditions including but not limited to the approvals by shareholders of NFC and consideration and approvals by the China Securities Regulatory Commission. Further announcement will be made by the Company in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as and when appropriate. As of the date of issuance of these condensed consolidated financial statements, the Reorganisation is still in progress. Further details regarding the Reorganisation are set out in the announcements made by the Company on 27 September 2019, 18 October 2019, 9 March 2020 and 23 March 2020.

Change in Use of Proceeds from Global Offering

As of 31 December 2019, the Company has used net proceeds of US$210.77 million from the Global Offering, and the net proceeds of US$37 million from the Global Offering proposed to be used in acquisitions of companies with existing exploration rights and additional mining assets was unused. Details of the use of proceeds from the Global Offering are as follows:

	As of 2019			
Items	**Intended use of net proceeds** *US$'000*	**Utilised amount as at 31 December 2019** *US$'000*	**Unutilised amount as at 31 December 2019** *US$'000*	Expected timetable for use of unutilised amount
Exploration and development of the Chambishi Southeast Mine	72,000	72,000	–	N/A
Expansion of the Chambishi Copper Smelter	48,000	48,000	–	N/A
The Muliashi Project	12,000	12,000	–	N/A
Development of the Mwambashi Project	12,000	12,000	–	N/A
Acquisitions of companies with existing exploration rights and additional mining assets	37,000	–	37,000	Expected to be utilised by December 2021 after adjusting the use
Repayment of certain existing loans	36,000	36,000	–	N/A
Working capital and other general corporate purposes	30,770	30,770	–	N/A
Total	**247,770**	**210,770**	**37,000**	

Considering that the Company has not yet found a company with exploration rights and mining rights that can be acquired, while the integrating exploration and construction project of Kambove is in urgent needs of funds for project construction, the Company decides to change the "US$37 million for acquisitions of companies with existing exploration rights and additional mining assets" in the use of net proceeds from Global Offering to "US$37 million for the integrating exploration and construction project of Kambove". The change in the use of proceeds of US$37 million from the Global Offering is in the interest of the Company and its Shareholders as a whole.

DIVIDEND

During the year ended 31 December 2019, the 2018 final dividend of US¢0.8384 per share had been paid. During the year ended 31 December 2018, the 2017 final dividend of US¢0.6124 per share had been paid.

Subsequent to the reporting period, the Board proposed the payment of US¢0.7740 per share as 2019 final dividend ("**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 26 June 2020 to shareholders whose names appear on the register of members of the Company on Friday, 3 July 2020. The proposed Final Dividend will be paid on Wednesday, 15 July 2020 after approval at the AGM.

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on Friday, 26 June 2020. 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 Monday, 22 June 2020 to Friday, 26 June 2020 (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 Friday, 19 June 2020 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 Friday, 19 June 2020.

For Final Dividend

The distribution of the Final Dividend recommended by the Board is subject to approval by the Company's shareholders at the forthcoming AGM. The Register of Members of the Company will be closed on Friday, 3 July 2020. 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 Thursday, 2 July 2020.

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 2019.

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

As at 31 December 2019, 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 interests 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 2019, 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.

Save as disclosed above, as at 31 December 2019, 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.

As at 31 December 2019, 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 ("**YH Metal**")	38%
Kingsail Limited	YH Metal	40%

* *Translation of English terms for reference purposes only*

CORPORATE GOVERNANCE

For the year ended 31 December 2019, the Company had 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 consisted of three members, being Mr. Jinjun ZHANG (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 2019 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.

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 2019 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 does 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 2019.

SUBSEQUENT EVENT AFTER THE END OF FINANCIAL YEAR

After the outbreak of COVID-19 epidemic in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 epidemic and evaluate its impact on the financial position and operating results of the Group. As at the date on which the set of financial statements were authorised for issue in this annual results announcement, the Group was not aware of any material adverse effects on the financial statements as a result of the outbreak of COVID-19 epidemic nor is it aware of any other significant event in relation to the Group after the reporting period.

After the Reporting Period, with effect from 24 March 2020: (1) Mr. Kaishou XIE has resigned as an executive Director and the vice president and (2) Mr. Wei FAN has been appointed as an executive Director. Mr. Fan will continue to serve as the vice president of the Company.

Save as disclosed in this annual results announcement, there were no other significant events in relation the Group after the reporting period.

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

Beijing, 24 March 2020

As at the date of this announcement, the board of directors of the Company comprises Mr. Tongzhou WANG, Mr. Xiaowei WANG, Mr. Wei FAN, Mr. Lin ZHANG and Mr. Chunlai WANG, 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.