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

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

Stock Code: 1258

2016
INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

REGISTERED OFFICE

Room 1201, Allied Kajima Building
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Wanchai, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN ZAMBIA

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Kitwe, Zambia

COMPANY'S WEBSITE

www.cnmcl.net

STOCK CODE

1258

DIRECTORS

Executive Directors

Mr. Xinghu Tao *(Chairman and President)*
Mr. Xingeng Luo *(Vice President)*
Mr. Chunlai Wang *(Vice President)*
Mr. Wei Fan *(Vice President)*
Mr. Kaishou Xie *(Vice President)*

Non-Executive Director

Mr. Diyong Yan *(Vice Chairman)*

Independent Non-Executive Directors

Mr. Chuanyao Sun
Mr. Jingwei Liu
Mr. Huanfei Guan

CORPORATE INFORMATION (CONTINUED)

THE COMMITTEES OF THE BOARD

Audit Committee
Mr. Jingwei Liu *(Chairman)*
Mr. Diyong Yan
Mr. Huanfei Guan

Nomination Committee
Mr. Chuanyao Sun *(Chairman)*
Mr. Diyong Yan
Mr. Jingwei Liu

Remuneration Committee
Mr. Huanfei Guan *(Chairman)*
Mr. Diyong Yan
Mr. Chuanyao Sun

Compliance Committee
Mr. Xinghu Tao *(Chairman)*
Mr. Chuanyao Sun
Mr. Huanfei Guan

JOINT COMPANY SECRETARIES

Mr. Aibin Hu
Mr. Tin Wai Lee *CPA*

LEGAL ADVISER

Davis Polk & Wardwell
The Hong Kong Club Building
3A Chater Road
Hong Kong

ISA furnace of copper smelting company

CORPORATE INFORMATION (CONTINUED)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

CHAIRMAN'S STATEMENT

Chairman of the Board
Xinghu Tao

Dear Shareholders,

I would like to take this opportunity to extend my heartfelt gratitude to the Shareholders and all sectors of the society for their care, support and help to China Nonferrous Mining Corporation Limited, and to thank the management and staff for their contributions to the operation and management of the Company.

In the first half of 2016, the production and operation of the Company were considerably affected by a series factors such as slow growth of the world economy, continuous downward trend of the base metal (including the copper) market, the reduced power supply, higher electricity tariff and lower price of sulfuric acid. As a result, the operating revenue of the Company decreased by 6.9% for the first half of 2016 as compared with the same period last year. Faced with these challenges, the Board, the management and the staff of the Company made concerted efforts to expand the external market, strengthen internal management, and vigorously tap potentials and improve efficiency. Accordingly, the Company recorded an increase of 5.2%, 13.4% and 0.4% in product output of blister copper, sulfuric acid and copper cathode respectively as compared with the same period last year. Meanwhile, due to effective control of production costs and decrease in amortization of depreciation expenses after provision for impairment losses in 2015, the Company achieved profit attributable to the owners of the Company of USD6.71 million for the first half of 2016, representing an increase of 545.19% as compared with the same period last year.

CHAIRMAN'S STATEMENT (CONTINUED)

Looking ahead, the world economy will gradually overcome difficulties and achieve growth. Regardless of the slowdown in its economic growth, China will continue to play its role in stabling and driving the growth of the world economy given its economic scale and the implementation of the Thirteenth Five Year Plan. In the long run, prices of bulk raw materials (including copper) are expected to resume an upward trend since the copper price has hit the bottom line of cost of many enterprises following continuous decline in the past six years,

For the purpose of strengthening its competitiveness in the market, the Group will continue to adhere to its own development strategies, make great efforts to develop the Chambishi Southeast Mine and enable the newly established projects such as Mwambashi Strip Mine and the high grade cobalt matte metallurgy to satisfy relevant standards and fulfill the planned production, thus providing new sources for the Company to increase output and improve efficiency. In addition, the Company will devote efforts in exploitation of Chambishi Main Mine and Chambishi West Mine as well as the improvement of quality and efficiency for the CCS, Muliashi Leaching, SML, Huachin Leach and CNMC Huachin Mabende with a view to improve the existing business performance. Leveraging on opportunities emerging from the downturn period of the market, the Company will continue to increase its copper and cobalt reserves and resources by exploration and development as well as acquisition and merger, thus constantly expanding the leaching and smelting capacity. Moreover, the Company will carry forward the internal restructuring, further optimize the product mix and industrial structure, improve the operation quality and efficiency of the Company and give full play to the Company's advantages as a vertical copper producer integrating exploration, processing and smelting so as to generate better operating results.

As a responsible enterprise-citizen, the Group will continue to implement the development concept of "innovation, coordination, green, opening-up and sharing". While developing resources in accordance with the requirements of the Environmental, Social and Governance Reporting Guide, the Company will attach great importance to environmental protection and the sustainable use of resources, strictly abide by various employment regulations and governance practices, improve the working environment of the staff, ensure the safety and efficiency of production and properly handle concerns of the stakeholders such as the suppliers and communities so as to realize the goal of win-win cooperation.

China Nonferrous Mining Corporation Limited
Chairman of the Board and President
Xinghu Tao

Hong Kong, 30 August 2016

RESULTS HIGHLIGHTS

OPERATING RESULTS

- In the first half of 2016, China Nonferrous Mining Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded revenue of US$630.3 million, representing a decrease of 6.9% as compared with the first half of 2015;

- In the first half of 2016, the Group recorded profit attributable to owners of the Company of US$6.71 million, representing an increase of 545.19% as compared with the first half of 2015.

CHANGES IN PRODUCT OUTPUT

- In the first half of 2016, blister copper produced amounted to 105,391 tonnes, representing an increase of 5.2% as compared with the first half of 2015;

- In the first half of 2016, copper cathode produced amounted to 35,888 tonnes, representing an increase of 13.4% as compared with the first half of 2015;

- In the first half of 2016, sulfuric acid generated amounted to 260,848 tonnes, representing an increase of 0.4% as compared with the first half of 2015.

STEADY PROGRESS IN PROJECT DEVELOPMENTS

- The Integrating Exploration and Construction Project of the Chambishi Southeast Mine of NFC Africa Mining PLC ("NFCA") is under development. In the first half of 2016, the main shaft, auxiliary shaft, south wind shaft and north wind shaft were drilled to the deepest. The construction works are scheduled to be completed in the third quarter of 2018.

- The High Grade Cobalt Matte Metallurgy Project of Chambishi Copper Smelter Limited ("CCS") is under development and was put into trial production on 30 May 2016.

- The construction period of Mwambashi Strip Mine Project of Sino-Metals Leach Zambia Limited ("SML") was longer than planned due to water inflow. As at 30 June 2016, all of the construction works had been completed and the project had formally put into production.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2016, facing the slow recovery of the global economy and a weak market demand for base metals, the Group overcame challenges from, inter alia, insufficient electricity supply, increase in electricity cost and declining demand for sulfuric acid supply while insisting on accelerating development and paying effort to increase revenue and reduce cost. Business development remained steady.

During the reporting period, the production volume of blister copper, copper cathode and sulfuric acid, the main products of the Group, all increased. As affected by the year-on-year decrease in the prices of copper and sulfuric acid, the revenue decreased by 6.9% to US$630.3 million over the same period last year. Profit attributable to owners of the Company amounted to US$6.71 million, representing an increase of 545.19% over the same period last year, which was mainly attributable to factors including the decrease in depreciation charges as a result of provision of a large amount of fixed assets impairment in the end of 2015, increase in exchange gains and better control of production costs.

At the same time, Mwambashi Strip Mine Project and High Grade Cobalt Matte Metallurgy Project of CCS were completed and reached the targeted output. In addition, the Integrating Exploration and Construction Project of the Chambishi Southeast Mine is under large-scale construction, which will lay solid foundation for the Group's further development of business.

BUSINESS REVIEW

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

The businesses of the Group are carried out mainly through the following companies: NFCA, CNMC Luanshya Copper Mines PLC ("Luanshya"), CCS and SML located in Zambia, as well as through two joint subsidiaries of SML, namely Huachin Metals Leach SA ("Huachin Leach") and CNMC Huachin Mabende Mining SA ("CNMC Huachin Mabende") located in DRC.

From January to June 2016, blister copper produced by the Group amounted to 105,391 tonnes, representing an increase of 5.2% over the same period last year; copper cathode amounted to 35,888 tonnes, representing an increase of 13.4% over the same period last year; and sulfuric acid generated amounted to 260,848 tonnes, representing an increase of 0.4% over the same period last year. Revenue of the Group decreased by 6.9% from US$676.9 million for the first half of 2015 to US$630.3 million for the first half of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW *(CONTINUED)*

Production overview

NFCA

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

In the first half of 2016, copper contained in concentrate produced by the Chambishi Main Mine and Chambishi West Mine amounted to 12,398 tonnes, representing a decrease of 2.2% over the same period last year. This was primarily due to the insufficient electricity supply in Zambia.

Luanshya

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

Baluba Center Mine continued to be under maintenance and suspension of production in the first half of 2016 due to low copper price and inadequate electricity supply.

The Muliashi Project produced 16,677 tonnes of copper cathode in the first half of 2016, representing an increase of 4.8% over the same period last year. The increase was mainly attributable to the increase of heap leaching, leading to continuous improvement in the output capacity of the system.

CCS

CCS mainly operates the Chambishi Smelting Plant.

In the first half of 2016, blister copper and sulfuric acid produced by CCS amounted to 105,391 tonnes and 260,848 tonnes, respectively, representing increases of 5.2% and 0.4%, respectively, over the same period last year. It was mainly attributable to released production capacity and strengthened management for Phase II expansion project.

SML

SML mainly operates the Chambishi Leach Plant. It also operates the CNMC Huachin Leach Project through Huachin Leach and the Mabende Project through CNMC Huachin Mabende.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW *(CONTINUED)*

Production overview *(Continued)*

SML (Continued)

Copper cathode produced by SML in the first half of 2016 increased by 22.0% to 19,211 tonnes as compared to the same period last year, primarily attributable to the copper cathode of 10,901 tonnes produced by the CNMC Huachin Mabende, representing a year-on-year increase of 37.0%. Copper cathode produced by Chambishi Leach Plant increased by 42.8% to 2,284 tonnes as compared to the same period last year. Copper cathode produced by Huachin Leach decreased by 2.6% to 6,026 tonnes as compared to the same period last year. In particular, the increase in production of Chambishi Leach Plant was mainly due to improved supply of raw materials and the increase in production of CNMC Huachin Mabende was due to the sustained release of production capacity while the decrease in production of Huachin Leach was mainly due to lowered grade of raw materials this year.

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

	Production volume for the first half of 2016[1] ***(Tonnes)***	Production volume for the first half of 2015[1] *(Tonnes)*	Period-to-period growth *(%)*
Copper concentrate[2]	**12,904**	20,666	-37.6%
Blister copper	**105,391**	100,228	5.2%
Copper cathode	**35,888**	31,661	13.4%
Sulfuric acid	**260,848**	259,711	0.4%

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

(2) The production of copper concentrates decreased considerably on a year-on-year basis, mainly due to suspension of production of Baluba Mine since September in 2015 (reasons for which are set out above).

Smelting

Leaching

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW *(CONTINUED)*

Exploration, development and mining cost of the Group

Expenses of exploration, development and mining activities of the Group for the six months ended 30 June 2016 are set out below:

		NFCA			Luanshya		SML	
Unit: Million US dollars	Chambishi Main Mine	Chambishi West Mine	Chambishi Southeast Mine	Baluba Center Mine Sulfide	Muliashi North Mine	Muliashi South Mine	Mwambashi Mine	Total
Exploration activities								
Drilling and analysis	0.15	0.48	0.55	–	–	–	0.33	1.51
Sub-total	**0.15**	**0.48**	**0.55**	**-**	**-**	**-**	**0.33**	**1.51**
Development activities (including mine construction)								
Purchases of assets and equipment	–	2.22	1.84	–	0.82	–	–	4.88
Civil work for construction of tunnels and roads	0.04	0.13	20.24	–	0.43	0.07	0.05	20.96
Staff Cost	–	–	–	–	–	–	–	
Other	–	–	10.66	–	4.33	0.43	–	15.42
Sub-total	**0.04**	**2.35**	**32.74**	**-**	**5.58**	**0.50**	**0.05**	**41.26**
Mining activities (excluding ore processing)								
Staff cost	0.49	1.17	–	–	0.13	–	0.05	1.84
Consumables	0.37	0.90	–	–	0.47	0.02	–	1.76
Fuel, electricity, water and other services	1.52	3.64	–	–	–	–	–	5.16
Non–income taxes, royalties and other governmental charges	–	–	–	–	5.66	1.05	–	6.71
Others	0.88	2.12	–	–	–	–	0.22	3.22
Sub-contracting charges	8.33	19.96	–	–	17.71	0.15	3.03	49.18
Depreciation	1.32	1.36	–	–	14.55	2.98	1.98	22.19
Sub-total	**12.91**	**29.15**	**-**	**-**	**38.52**	**4.20**	**5.28**	**90.06**

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW *(CONTINUED)*

Mining Exploration, Mining Development and Ore Mining Activities

Mining Exploration

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

In the Chambishi Main Mine of NFCA, 13 pit drilling holes were completed for production purposes with 1,476m drilled. In the Chambishi West Mine, 43 pit drilling holes (with a 75mm-diameter end-hole) for production purposes were completed with 4,668m drilled. In the Chambishi Southeast Mine, 44 pit drilling holes (with a 75mm-diameter end-hole) were completed for infrastructure and exploration purposes with 3,954m drilled.

Luanshya conducted drilling in Muliashi Open-pit Mine (South Mine) for supplemental exploration purposes and completed 6 drilling holes (with a 75mm-diameter end-hole) with 389.53 meters drilled.

No exploration activities were carried out in the Mwambashi Mine of SML in the first half of 2016.

Mining Development

The integrating Exploration and Construction Project of the Chambishi Southeast Mine: the main shaft is with a diameter of 6.5m and a designed length of 1,250.7m, the shaft was constructed; the inner water sump was completed; a blasting volume of 1,125mL of the chamber was completed; in terms of fundamental construction, the following was completed: 1,080mL of the shaft station, 1,185mL of the conveyor gallery, 1,251mL of the horizontal tunnel for fines recovery and draw shaft with upper and lower parts for the ore (gob) bin. The whole project comprising ore pass fragmenting system and ore fines collection system is expected to be completed in September this year; as to the auxiliary shaft, the diameter of which is 7.2m, with all of its designed length of 1,180m completed and with its mid-segment horizontal tunnel under construction; the diameter of the south wind shaft is 6.5m, the designed length of 678.8m was completed with the 680-800mL slope ramp, the 756mL segmented room necks and other scattered work under construction; the diameter of the north wind shaft is 6.5m, the designed length of 955.9m was completed; and horizontal tunnel and the slope ramp were under construction with 1,129m and 26,881m^3 drilled. 478m of the measure projects such as pump house, water sump and chamber was completed with 17,549m^3 drilled.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW *(CONTINUED)*

Mining Exploration, Mining Development and Ore Mining Activities *(Continued)*

Mining Development (Continued)

Ground surface project of the Integrating Exploration and Construction Project of the Chambishi Southeast Mine: the 220KV electric transmission line project and the 11KV distribution substation project were fully completed. The 220KV converting station was put to system test and installation; the fire extinguishing system and the site project were under construction; and the temporary power supply cables and facilities planned to be placed to the mines were installed. Processing Plant was planned to complete part of the land leveling and road subgrade project such as site stripping, bed course with slag and temporary drainage ditches along both sides of the road so as to facilitate Processing Plant's next step of construction of its main plant building in the middle of September. The topographic surveying of the site of tailings impoundment warehouse was completed at the end of June. It was expected to proceed with the negotiation regarding the land acquisition and demolition in the tailings impoundment area and its pipeline region and submit the Report on Environmental Impact Assessment in July. Once the Report on Environmental Impact Assessment is approved, the strip terrain contouring of pipelines along the tailings impoundment warehouse can be conducted. The Southeast Mine completed the installation of the steel structural main frame of its ore body maintenance room and rock core base, the assemblage of roofing shingles and all the civil construction work at the end of June. The water and electricity installation, ground construction in the plant area and the matched ancillary projects were expected to be completed by July and be submitted for acceptance at the end of July. The Southeast Mine completed all the pavement and leveling work of the special passage for fence maintenance. The total length of electrified netting fence was approximately 10.5km of which 3km was completed and the rest was expected to be completed at the end of August.

Mwambashi Strip Mine Project: stripping earth of 730,400m^3 was completed from January to June with an accumulative volume of 4,602,660m^3 and stripping depth at an elevation of 1,226m.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW *(CONTINUED)*

Mining Exploration, Mining Development and Ore Mining Activities *(Continued)*

Ore Mining

For details of ore mining activities, please refer to "Production overview" on page 9.

Infrastructure projects, subcontracting arrangements and procurement of equipment

The major contracts entered into during the reporting period are as follows:

Lubricating Oil Purchasing Contract, Off-track Equipment Tyre Purchasing Contract and Drilling Utensils Purchasing Contract of Chambishi Southeast Mine.

For the six months ended 30 June 2016, the aggregate value of contracts newly entered into relating to infrastructure and procurement of the Group amounted to US$16,377,000, of which the capital commitment was US$250,555,000.

There was no subcontracting arrangement during the period*.

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

Panorama of the ore processing plant of Chambishi Copper Mine

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW *(CONTINUED)*

Projects in Progress

NFCA

The Integrating Exploration and Construction Project of the Chambishi Southeast Mine

The Chambishi Southeast Mine Project under development is one of the key development mine projects of the Company with a designed ore processing capacity of 3,300,000 tonnes per annum and a production capacity of copper contained in concentrate of approximately 63,000 tonnes per annum. The aggregate project investments amounted to US$830.0 million, among which, an accumulated investment of a total of US$290.1 million had been completed as at the end of June 2016. In the first half of 2016, the main shaft, auxiliary shaft, south wind shaft and north wind shaft were drilled to the deepest. The construction works are scheduled to be completed in the third quarter of 2018.

CCS

The High Grade Cobalt Matte Metallurgy Project

The project has a scale of processing 50,000 tonnes of high grade cobalt matte per annum and an annual output of 34,700 tonnes of copper concentrate (which contains 39.07% copper). The project commenced on 6 April 2015 and was put into trial production on 30 May 2016. It is expected to complete and commence formal production in September 2016. The aggregate project investments amounted to US$32.64 million, among which, an accumulated investment of US$8.93 million in total had been completed as at the end of June 2016.

SML

Mwambashi Strip Mine project

The project comprises a strip mine with designed capacity of 600,000 tonnes of ores per annum and a process plant with a capacity of 2,000 tonnes per day. The construction commenced in September 2013 with an expected construction period of one year. The construction period was longer than planned due to water inflow. Since May 2015, the production was transformed to parallel arrangement of stripping and mining. Upon approval by the Board of the Company in April 2016, the proposal of construction of a process plant with a capacity of 2,000 tonnes per day was changed to expansion of the current process plant from the then capacity of 1,000 tonnes per day to a capacity of 2,000 tonnes per day, and the construction of ancillary facilities in the proposal of newly construction of a process plant was canceled. As at 30 June 2016, all of the construction works had been completed and the project had formally put into production. The total investment amount for the project is US$57.39 million after the change of plan. The total amount invested by the end of June 2016 amounted to US$38.24 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Results of Operations

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

	For the six months ended 30 June							
	2016				2015			
	Sales Volume [1]	Average Selling Price	Revenue	% of Total Revenue	Sales Volume [1]	Average Selling Price	Revenue	% of Total Revenue
	(Tonnes)	*(US$ per tonne)*	*(US$'000)*	*(%)*	*(Tonnes)*	*(US$ per tonne)*	*(US$'000)*	*(%)*
Blister copper	**105,026**	**4,355**	**457,408**	**72.6**	99,633	5,338	531,813	78.5
Copper cathode	**37,478**	**4,206**	**157,617**	**25.0**	26,225	4,792	125,663	18.6
Sulfuric acid	**135,009**	**113**	**15,295**	**2.4**	148,641	131	19,461	2.9
Total	**277,513**		**630,320**	**100.0**	274,499		676,937	100.0

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

Revenue

The revenue of the Group decreased by 6.9% from US$676.9 million in the first half of 2015 to US$630.3 million in the first half of 2016, primarily attributable to the decrease in global copper prices and decrease in selling price of sulfuric acid.

The revenue of blister copper decreased by 14.0% from US$531.8 million in the first half of 2015 to US$457.4 million in the first half of 2016, primarily due to the decrease in copper price, partially offset by the increase in sales volume of blister copper as compared to the first half of last year.

The revenue of copper cathode increased by 25.4% from US$125.7 million in the first half of 2015 to US$157.6 million in the first half of 2016, mainly attributable to the increase of 42.9% in the sales volume of copper cathode, partially offset by the decrease in average selling price of copper cathode.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW *(CONTINUED)*

Revenue *(Continued)*

The revenue of sulfuric acid decreased by 21.5% from US$19.5 million in the first half of 2015 to US$15.3 million in the same period of 2016, primarily attributable to the decrease in demands for sulfuric acid from leaching as a result of insufficient supply of electricity, leading to a decrease of 9.2% in sales volume outside the Group and a decrease of 13.7% in the average selling price of sulfuric acid.

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

	For the six months ended 30 June							
	2016				2015			
	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	**427,449**	**4,070**	**29,959**	**6.6**	495,349	4,972	36,464	6.9
Copper cathode	**131,668**	**3,513**	**25,949**	**16.5**	98,640	3,761	27,023	21.5
Sulfuric acid	**6,454**	**48**	**8,841**	**57.8**	3,778	25	15,683	80.6
Total	**565,571**		**64,749**	**10.3**	597,767		79,170	11.7

Panorama of the plant of copper smelting company

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW *(CONTINUED)*

Cost of sales

The cost of sales of the Group in the first half of 2016 decreased by 5.4% to US$565.6 million from US$597.8 million in the first half of 2015, primarily due to the fact that the decrease in global copper prices and better controlled production costs for the Company.

The cost of sales of blister copper decreased by 13.7% from US$495.3 million in the first half of 2015 to US$427.4 million in the first half of 2016, primarily due to the decrease in the costs of copper concentrates resulting from the decrease in global copper prices.

The cost of sales of copper cathode increased by 33.5% from US$98.6 million in the first half of 2015 to US$131.7 million in the first half of 2016, primarily due to the increase of 42.9% in sales volume of copper cathode.

The cost of sales of sulfuric acid increased by 71.1% from US$3.8 million in the first half of 2015 to US$6.5 million in the first half of 2016, primarily due to the increase in electricity tariff.

Gross profit and gross profit margin

The Group recorded a gross profit of US$64.7 million in the first half of 2016, representing a decrease of 18.3% from US$79.2 million in the same period of 2015. The gross profit margin decreased from 11.7% in the first half of 2015 to 10.3% in the first half of 2016.

Distribution and selling expenses

The distribution and selling expenses of the Group increased by 96.8% from US$6.3 million in the first half of 2015 to US$12.4 million in the first half of 2016 primarily due to the substantial increase in freight caused by that the intensifying competitions in sulfuric acid market in Zambia, resulting in the sulfuric acid mainly sold to DRC in the current period.

Administrative expenses

The administrative expenses of the Group decreased by 16.0% from US$26.3 million in the first half of 2015 to US$22.1 million in the first half of 2016 primarily due to the depreciation of Zambia Kwacha ("ZMK") in the first half of 2016 as compared with the first half of 2015, resulting in the decrease in relevant expenses denominated in ZMK.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW *(CONTINUED)*

Finance costs

The finance costs of the Group increased by 5.9% from US$10.2 million in the first half of 2015 to US$10.8 million in the first half of 2016 primarily due to the expansion of the financing scale in the current period.

Other gains and losses

Other gains and losses of the Group changed from net losses of US$20.0 million in the first half of 2015 to gain of US$7.2 million in the first half of 2016, primarily due to the appreciation of ZMK in the current period, as compared to the depreciation of ZMK in the same period last year, resulting in a significant fluctuation in the amount of refundable value-added tax and monetary assets denominated in ZMK.

Income tax expense

The income tax expense of the Group increased by 33.3% from US$3.9 million in 2015 to US$5.2 million in the first half of 2016. Effective tax rate increased from 20.9% in the first half of 2015 to 23.1% in the first half of 2016, primarily due to the increase in assessable income of subsidiaries in DRC.

Profit attributable to owners of the Company

Due to the aforementioned factors, profit attributable to owners of the Company significantly increased by 545.19% from US$1.04 million in the first half of 2015 to US$6.71 million in the first half of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Capital Resources

Cash flows

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

	For the six months ended 30 June	
	2016	2015
	(US$'000)	*(US$'000)*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**116,742**	221,130
Net cash generated from (used in) investing activities	**14,979**	(42,049)
Net cash generated from (used in) financing activities	**34,335**	(125,095)
Net increase in cash and cash equivalents	**166,056**	53,986
Cash and cash equivalents at beginning of the period	**560,246**	501,145
Effect of foreign exchange rate changes	**439**	(6,850)
Represented by:		
Bank balances and cash	**727,300**	548,281
Bank overdrafts	**(559)**	–
	726,741	548,281

Net cash flows generated from operating activities

Net cash flows generated from the operating activities of the Group decreased by US$104.4 million from US$221.1 million in the first half of 2015 to US$116.7 million in the first half of 2016, primarily attributable to the increase of accounts receivable during the period.

Net cash flows generated from (used in) investing activities

The net cash flow generated from investing activities of the Group was US$15.0 million in the first half of 2016, representing an increase of US$57.0 million as compared to the net cash flow used in investing activities of US$42.0 million in the same period of 2015, mainly attributable to receipt of time deposits upon maturity.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Capital Resources *(Continued)*

Net cash flows generated from (used in) financing activities

The net cash flow generated from financing activities of the Group was US$34.3 million in the first half of 2016, representing an increase of US$159.4 million as compared to the net cash flow used in financing activities of US$125.1 million in the same period of 2015, mainly attributable to the increase of loans for the period.

Bank balances and cash

The Group's bank balances and cash (including cash and demand deposits) increased by US$167.1 million from US$560.2 million as at 31 December 2015 to US$727.3 million as at 30 June 2016.

Trade receivables

Trade receivables of the Group increased by US$33.9 million from US$115.3 million as at 31 December 2015 to US$149.2 million as at 30 June 2016, primarily attributable to the increase in sales volume of blister copper.

Inventories

Inventories held by the Group decreased by US$43.9 million from US$306.4 million as at 31 December 2015 to US$262.5 million as at 30 June 2016, primarily due to the decrease in stocks of copper cathode.

Trade payables

Trade payables of the Group increased by US$64.0 million from US$158.1 million as at 31 December 2015 to US$222.1 million as at 30 June 2016, primarily due to the increase in balance of the copper concentrates purchase payables.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Capital Resources *(Continued)*

Bank loans and other borrowings

As of 30 June 2016, the Group's balance of bank loans and other borrowings amounted to US$1,123,967,000.

Among which:

(1) Balance of bank loans due within one year amounted to US$61,000,000;

(2) Balance of bank loans and other borrowings due more than one year but not exceeding two years amounted to US$126,000,000;

(3) Balance of bank loans due more than two years but not exceeding five years amounted to US$936,967,000;

As of 30 June 2016, the borrowings with fixed interest rate amounted to US$301,077,000.

As of 30 June 2016, the Group's bank loans and other borrowings were denominated in USD and had no seasonal features.

Blister copper products

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Capital Resources *(Continued)*

Capital expenditure

	For the six months ended 30 June	
	2016	2015
	(US$'000)	*(US$'000)*
	(Unaudited)	(Unaudited)
Mining and ore processing facilities at Southeast Mine of NFCA	**24,945**	27,276
Other mining and ore processing facilities at NFCA	**10,946**	5,627
Mining and ore processing facilities at Luanshya (Baluba Center Mine)	**–**	6,537
Mining and leaching facilities at Luanshya (Muliashi Project)	**11,278**	5,970
Smelting facilities at CCS	**4,890**	5,896
Leaching facilities at Chambishi Leach Plant	**3,685**	4,171
Leaching facilities at CNMC Huachin Leach Project	**291**	59
Leaching facilities at Mabende Project	**3,825**	1,291
Total	**59,860**	56,827

The total capital expenditure of the Group increased by US$3.1 million from US$56.8 million in the first half of 2015 to US$59.9 million in the first half of 2016, primarily due to the increase in investments in the mining and ore processing facilities at NFCA and mining and leaching facilities at Luanshya (Muliashi Project).

Financial Policies

As of 30 June 2016, the Group formulated the Financial Budget Management System, the Funds Management System, the Inventories Management System, the Fixed Assets Management System, the Financial Information Disclosure Management System, Management Measures on Approval Procedures and Permissions of Financial Income and Expenses of the Central Office and other financial policies, which aim to regulate and enhance internal control of relevant activities of the Group to ensure the safety of the Group's assets, protect investors' interests and improve operation and management level for compliance with relevant laws and regulations of Hong Kong as well as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW *(CONTINUED)*

Market Risk Disclosure

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

Commodity price risk

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

Foreign currency exchange risk

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

Interest rate risk

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

Changes in the Group's performance

From 1 January 2016 to 30 June 2016, save as disclosed in this interim report, there are no material changes which will result in any conflict with the Group's performance as disclosed in the annual report for 2015.

EMPLOYEE AND REMUNERATION POLICIES

Remuneration of employees (including directors of the Company, the "Directors") was determined based on their work nature, experience and contributions to the Group. Employees were also entitled to bonus as an incentive subject to their performance.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

Save for those disclosed in this interim report, there were no other significant investments held, material acquisitions or disposals of subsidiaries during the period for the six months ended 30 June 2016. Apart from those disclosed in this interim report, there was no plan approved by the Board for other material investments or acquisition of capital assets as at the date of this interim report.

CHARGES ON ASSETS

As at 30 June 2016, no assets of the Group was being charged (as at 31 December 2015: Nil).

GEARING RATIO

As at 30 June 2016, the gearing ratio was 59.9% (as at 31 December 2015: 65.1%) 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

As at 30 June 2016, the Group was the defendant for various claims involving alleged unfair/unlawful termination or breach of employment contracts, wrongful calculation of wages/benefits and compensation for injuries.

As at 30 June 2016, the Group has made relevant provision for the potential liabilities of US$300,000 (as at 31 December 2015: US$300,000) which the Directors opined is adequate based on the present assessments by the Group's legal advisers.

NO MATERIAL CHANGES

Saved as disclosed in this interim report, from 1 January 2016 to 30 June 2016, there are no material changes affecting the Company's performance that needs to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in this interim report, there were no other significant events affecting the Company nor any of its subsidiaries after the reporting period as at 30 June 2016 requiring disclosure in this interim report.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Hong Kong Stock Exchange on 29 June 2012. Net proceeds from the Global Offering have been and will continue to be used by the Group for the operations in Zambia, such as exploration and development of mines, construction of smelting plants, repayment of bank loans and replenishment of working capital, which are in compliance with the intended use of proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 20 June 2012 (the "Prospectus").

According to the intended usages as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the application of such proceeds up to 30 June 2016 was as follows:

	Net Proceeds *(US$'000)*		
Items	**Available**	**Utilised**	**Unutilised**
Exploration and development of the Chambishi Southeast Mine	72,000	72,000	–
Expansion of the Chambishi Copper Smelter	48,000	48,000	–
The Muliashi Project	12,000	12,000	–
Development of the Mwambashi Project	12,000	12,000	–
Acquisitions of Companies with existing exploration rights and additional mining assets	37,000	–	37,000
Repayment of certain existing loans	36,000	36,000	–
Working Capital and other general corporate purposes	30,770	30,770	–
Total	247,770	210,770	37,000

The remaining balance of the net proceeds has been placed in interest bearing deposit accounts with banks.

Muliashi Strip Mine

NUMBER OF SHARES AND PARTICULARS OF SHAREHOLDERS

NUMBER OF SHARES

For the six months ended 30 June 2016, the Company has issued 3,489,036,000 ordinary shares (the "Shares").

PARTICULARS OF SHAREHOLDERS

Substantial Shareholders and Other Persons' Interest and Short Positions in the Shares and Underlying Shares

As at 30 June 2016, to the best knowledge of the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the provisions of Section 336 of the Securities and Futures Ordinance (the "SFO"):

Substantial Shareholder	Capacity/ Nature of interest	Long/short position	Number of shares	Approximate percentage of shareholdings
CNMD *(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 ("CNMD") 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 owned by CNMD.

NUMBER OF SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

As at 30 June 2016, each of the following entities was 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 general meetings of any other members of the Group:

Member of our Group	Entity with 10% or more interest (other than member of the Group)	Percentage of that entity's interest
NFCA	Zambia Consolidated Copper Mines Investments Holdings Plc ("ZCCM-IH")	15%
Luanshya	ZCCM-IH	20%
CCS	Yunnan Copper Industry (Group) Co., Ltd*	40%
SML	Hong Kong Zhongfei Mining Investment Limited ("Hong Kong Zhongfei")	30%
Huachin Leach	Huachin SPRL	37.5%
Kakoso Metals Leach Limited	Shenzen Resources Limited	12%
CNMC Huachin Mabende	Huachin SPRL	40%
China Nonferrous Mining Hong Kong Holdings Limited	Hong Kong Zhongfei	30%

Save as disclosed above, as at 30 June 2016, no other person had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Section 336 of the SFO or, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

* *Translation of English terms for reference purpose only*

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be critical in safeguarding the integrity of the Company's operations and maintaining investors' trust in the Company.

During the reporting period, in order to further optimise and strengthen better corporate governance practices and procedures, the Group further optimised the internal control system and made full use of monthly compliance report to effectively monitor on significant issues including legal cases, connected transactions and inside information, etc.

During the reporting period, the Board and the committees of the Board of the Company complied with laws in performing their duties and operated in accordance with standards. The Group fulfilled relevant procedures and made disclosure in respect of the use of raised proceeds, material investment and connected transactions and so forth.

To provide further understanding of operation mode, business activities and development conditions for independent Directors, the management provided the Directors with a monthly summary of the major information about the operational development and compliance of the Company.

Mr. Xinghu Tao serves as the Chairman and President of the Company with effect from 20 April 2015. This is at variance with code provision A.2.1 of the Corporate Governance Code, which provides that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive should be clearly established and set out in writing.

In view of the ever-changing business environment in which our Group operates, the Chairman and President must be proficient in the mining industry and be sensitive to market changes in order to promote the businesses of the Group. The Board thus considers that a segregation of the role of the Chairman and President may create unnecessary costs for the daily operation of the Group.

Besides, all major decisions have been made in consultation with members of the Board and appropriate committees, as well as the senior management team. Chief officers and senior executives are invited to attend Board meetings from time to time to make presentations and answer Board's enquiries. In addition, directors are encouraged to participate actively in all Board and committee meetings of which they are members, and the Chairman ensures that all issues raised are properly briefed at the Board meetings, and together with the senior management, provide adequate, accurate, clear, complete and reliable information to members of the Board in a timely manner. Further, the Chairman ensures that adequate time is available for discussion for all items at the Board meetings.

The Board is therefore of the view that there are adequate balance of power and safeguards in place. Nevertheless, the Board will continue to regularly monitor and review the Company's current structure and to make necessary changes at an appropriate time.

Except for deviation from code provision A.2.1 of the Corporate Governance Code which is explained above, the Company had complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the period for the six months ended 30 June 2016.

HUMAN RESOURCES

EMPLOYEE INFORMATION

As of 30 June 2016, the Group employed a total of 6,009 employees (as at 30 June 2015: 6,904). The total cost of employees reflected in the condensed consolidated statement of profit or loss and other comprehensive income statement amounted to US$34.0 million (as at 30 June 2015: US$44.8 million). The year-on-year decrease in the total cost of employees was primarily attributable to the depreciation of ZMK and the suspension and maintenance in Baluba Mine.

The management of NFCA participated in the Mine Rescue Drill Competition

Mines Rescue Team

CORPORATE SOCIAL RESPONSIBILITY

The Group always adheres to its the operating mission of “delivering returns to Shareholders, employees and the society through corporate development”, and seriously performs environmental and social responsibility in accordance with the industry that the enterprise belongs to as well as operational features.

WORKING ENVIRONMENT

The Group highly embraces the corporate governance concept of being “people oriented”, upholds a fair and normative labour policy, pays great respect to the cultural background of employees, protects employees’ interests and strictly implements labour policies in relation to social security, working hours and holidays where the enterprises are located. By regularly organizing collective negotiations to determine welfare including remuneration, transportation, housing and medical allowance, and striving to offer a market-competitive remuneration system, the Group provides employees with a healthy and harmonious working and living environment; for the employment and promotion of employees, the Group handles the business in strict compliance with employment management system. Discriminations based on race, religion, skin colour and gender are prohibited; breach of rules will be handled by the commission comprising representatives of human resources and labour union in accordance with the employees’ rules on penalty; and procedures for complaints are set up. The Group attaches great importance to enhance quality and ability of staff. Every subsidiary has its special training institution and staff, which carries out comprehensive and multi-level trainings for our employees such as vocational skills training and health and safety training, and provides quality environment for their growth, thus achieves a joint development of employees and enterprise.

HEALTH AND SAFETY

The Group strictly complies with relevant laws and regulations concerning safety production and labour protection where the enterprises are located, and always adheres to the safety production principle of “safety first, prevention foremost”. The safety production concept of “respect for life, prevention first” was upheld from the Group to all the subsidiaries. The standards for safety production management have been effectively improved through the implementation of an accountability mechanism of the entities responsible for safety production, specification of the scope of safety production responsibility, enhancement of education of safety production and risk prevention and control, development of overall safety inspection and latent defect investigation and governance, constant improvement and optimisation of the contingency plan and reinforcement of emergency rescue team building. The Group has attached great importance to the investment and construction of safety environmental facilities as well as the equipment and the use of management of protection equipment of labours. In every exploration area and factory, fully-equipped emergency ambulance corps were developed, and first aid stations were also established. In the first half of 2016, the Group maintains the stable situation of safety production.

Donation of food to the infants of the local area by Luanshya

Voluntary Chinese teaching in Luanshya trust school

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

ENVIRONMENTAL PROTECTION

The Group aims at establishing an environmentally friendly enterprise, actively carries out energy conservation and emission reduction and strengthens the testing and monitoring of pollutants emission to ensure clean production. The Group attaches great importance to the recycling and sustainable use of resources. The Group pays attention to using environmental-friendly equipment and advanced technology for production, endeavors to promote the establishment of an environmental management system, so as to improve the resources recycling and reuse as well as environmental protection level. Currently, the Group has basically achieved the selection of mines and reuse of industrial water under the wells.

COMMUNITY PARTICIPATION AND OPERATING PRACTICE

Based on copper and cobalt resources development, with the self-development and growth of the Group, it follows the concept of achieving a win-win situation of cooperation, attaches great importance to the concern about Shareholders, employees, suppliers and communities, actively cultivates the local market, supports local enterprises, shares benefits with suppliers, contributes to the local economy and social development and progress where the enterprises are located through the creation of taxation income, provision of jobs and development of related industries, and provides employees with vocational development and protection to create value for Shareholders.

In the first half of 2016, the Group continued to actively participate in local social welfare undertakings where the enterprises were located through monetary fund and physical assets. It supported social welfare undertakings including urban construction, AIDS and malaria prevention and cure and public sports facilities construction, which were highly appreciated by the local government and local residents and further established a good enterprise-citizen image as a listed company.

STRATEGIES AND PROSPECTS

The Group is dedicated to ultilising advanced and practical technology and management to develop resources to deliver returns to our Shareholders and employees and promote economic and social development.

The Group is determined to increase its investment in exploration and development, by expanding the exploration area, as well as exploration in the peripheral and in-depth areas of existing mines. Meanwhile, the Group will continue to identify suitable acquisition targets in regions with rich copper resources such as Zambia and the DRC, with an aim to increase the Group's overall resources and the proportion of resources generated from its own mines for smelting.

Through implementing the expansion plan for existing smelting projects, the Group will continue to expand its capacities in leaching and smelting operations, and enhance its profitability by leveraging the advantages of its vertically integrated operations.

The Group, through actively using advanced and practical technology and management, will focus on researching and developing the copper production chain, especially in the areas of separation and bioleaching technology of copper and cobalt. The Group will continue to improve its current mining, processing and smelting business capacities, improve its production efficiency, reduce production costs and increase profitability.

The Group has always been adhering to the strict implementation of environmental laws and regulations. It aims to improve its safety and environmental protection management by continuously increasing investment in this regard. The Group highly values the relationship with its stakeholders and aspires to achieve win-win cooperation. The Group will continue to fulfill its corporate social responsibility by contributing to the community economy and social development.

A bird view of the mining and processing project of Chambishi Southeast Mine

FUTURE PROSPECTS

In the first half of 2016, the slow recovery of the global economy, Brexit, China's less-than-expected economic growth and other factors further aggravated the market fears, the base metals market especially the copper price continued to drop. Looking into the second half of 2016, the global economy will be growing slowly while gradually overcoming difficulties. Although China's economic growth is slowing down, its economic size and the implementation of the 13th Five Year Plan will still enable China to play a role as the stabilizer and engine of the global economy. In the long run, raw commodity prices including copper price may rebound as the copper price has reached the cost lines of many enterprises after six years of decline.

To further enhance market competitiveness, the Group will continue to follow its own development strategy and put emphasis on the construction of key projects. The Group will expedite the exploitation in Chambishi Southeast Mine and focus on reaching standards and production targets for newly constructed projects including Mwambashi Strip Mine Project and High Grade Cobalt Matte Metallurgy Project, so as to enhance efficiency and provide new production sources for the Company.

The Group will endeavor to enhance quality and efficiency in order to improve performance of existing operations. The Group will conduct sound organization of the mining activities in Chambishi Main Mine and Chambishi West Mine; increase the technical level of CCS, SML, Huachin Leach and CNMC Huachin Mabende Leaching and Smelting, strengthen cost control, and improve the efficiency of production and operations.

The Group will continue to further increase its copper and cobalt reserve and resources by exploration, development as well as mergers and acquisitions, expand production capacity of leaching and smelting, promote internal reorganization, further optimize product mix and industrial structure, and enhance operational quality and scale.

In an effort to consistently follow the philosophy of "innovative, coordinated, green, open and shared" development, the Group will constantly improve the working environment, strengthen personnel training, ensure production safety and efficiency, and fulfill its corporate social responsibility, according to the requirements of the Environmental, Social and Governance Reporting Guide.

OTHER INFORMATION

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. The Company's parent and ultimate holding company are China Nonferrous Mining Development Limited, incorporated in the British Virgin Islands, and China Nonferrous Metal Mining (Group) Co., Ltd ("CNMC"), which is wholly-owned by State-owned Assets Supervision and Administration Commission of the State Council and is incorporated in the People's Republic of China (the "PRC"), respectively.

The registered office of the Company is located at Room 1201, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong, and its principal place of business is located at 32 Enos Chomba Road, Kitwe, Zambia.

The principal activity of the Company is investment holding. The Group's subsidiaries are principally engaged in exploration, mining, ore processing, leaching, smelting and sale of copper cathodes, blister copper and sulfuric acid. The condensed consolidated financial statements are presented in United States dollars ("US$"), which is also the functional currency of the Company and the Group.

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

As of 30 June 2016, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or interest 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 for Securities Transactions by Directors of Listed Issuers as stipulated in the Appendix 10 to the Listing Rules ("Model Code").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any director or their respective spouse or minor children; or were any such rights exercised by them or was the Company, or any of its subsidiaries a party to any arrangement to enable those persons to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors of the Company had engaged in any business or had any interest in business which competes or may constitutes competition directly or indirectly (within the meaning of the Listing Rules) with the business of the Group throughout the six months ended 30 June 2016.

OTHER INFORMATION (CONTINUED)

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and paragraph C3 of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to supervise the financial reporting process and internal control and risk management systems of the Group. Members of the Audit Committee are Mr. Diyong Yan, a non-executive Director, and Mr. Jingwei Liu and Mr. Huanfei Guan, independent non-executive Directors. The Group's unaudited condensed financial statements for the six months ended 30 June 2016 have been reviewed by the Audit Committee, and were of the opinion that such unaudited condensed financial statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that disclosures had been made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company had also made specific enquiries to all Directors and confirmed that all of them complied with the Model Code throughout the six months ended 30 June 2016.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities throughout the six months ended 30 June 2016.

Monument for the discovery of the copper mine at Luanshya

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CHINA NONFERROUS MINING CORPORATION LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Nonferrous Mining Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 64, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	For the six months ended 30 June **2016** ***US$'000*** **(Unaudited)**	 2015 *US$'000* (Unaudited)
Revenue	3	**630,320**	676,937
Cost of sales		**(565,571)**	(597,767)
Gross profit		**64,749**	79,170
Other income		**3,466**	2,214
Distribution and selling expenses		**(12,432)**	(6,254)
Administrative expenses		**(22,110)**	(26,306)
Finance costs	5	**(10,765)**	(10,156)
Other expenses		**(7,469)**	–
Other gains and losses	6	**7,234**	(20,040)
Profit before tax		**22,673**	18,628
Income tax expense	7	**(5,247)**	(3,887)
Profit and total comprehensive income for the period	8	**17,426**	14,741
Profit and total comprehensive income attributable to:			
Owners of the Company		**6,711**	1,044
Non-controlling interests		**10,715**	13,697
		17,426	14,741
Earnings per share	10		
– Basic *(US cent per share)*		**0.19**	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	**At 30 June 2016 *US$'000* (Unaudited)**	At 31 December 2015 *US$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**916,872**	906,353
Mining right		**11,000**	11,000
Interest in an associate		**2,143**	2,143
Finance lease receivables		**–**	1,024
Other assets		**12,387**	11,377
Restricted bank balances		**6,482**	6,482
Deferred tax assets		**60,768**	55,812
		1,009,652	994,191
CURRENT ASSETS			
Inventories	12	**262,452**	306,380
Finance lease receivables		**3,066**	6,661
Trade receivables	13	**149,202**	115,312
Prepayments and other receivables	14	**143,003**	110,974
Restricted bank balances		**6,468**	6,146
Bank deposits		**1,508**	69,357
Bank balances and cash		**727,300**	560,246
		1,292,999	1,175,076
CURRENT LIABILITIES			
Trade payables	15	**222,133**	158,136
Other payables and accrued expenses	16	**49,197**	72,081
Income tax payable		**19,602**	17,765
Bank and other borrowings			
– due within one year	17	**61,000**	362,505
Derivatives, at fair value		**241**	182
Bank overdrafts, unsecured		**559**	–
		352,732	610,669
NET CURRENT ASSETS		**940,267**	564,407
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,949,919**	1,558,598

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	**At 30 June 2016 *US$'000* (Unaudited)**	At 31 December 2015 *US$'000* (Audited)
CAPITAL AND RESERVES			
Share capital		**613,233**	613,233
Retained profits		**26,293**	19,582
Equity attributable to owners of the Company		**639,526**	632,815
Non-controlling interests		**165,371**	154,656
TOTAL EQUITY		**804,897**	787,471
NON-CURRENT LIABILITIES			
Bank and other borrowings			
– due after one year	17	**1,062,967**	691,967
Deferred income		**17,143**	18,547
Provision for restoration, rehabilitation and environmental costs		**21,310**	20,544
Deferred tax liabilities		**43,602**	40,069
		1,145,022	771,127
		1,949,919	1,558,598

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company				
	Share capital	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total equity**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Six months ended 30 June 2016					
At 1 January 2016 (Audited)	**613,233**	**19,582**	**632,815**	**154,656**	**787,471**
Profit and total comprehensive income for the period	**–**	**6,711**	**6,711**	**10,715**	**17,426**
At 30 June 2016 (Unaudited)	**613,233**	**26,293**	**639,526**	**165,371**	**804,897**
Six months ended 30 June 2015					
At 1 January 2015 (Audited)	613,233	309,358	922,591	200,263	1,122,854
Profit and total comprehensive income for the period	–	1,044	1,044	13,697	14,741
Dividend declared	–	(9,874)	(9,874)	–	(9,874)
At 30 June 2015 (Unaudited)	613,233	300,528	913,761	213,960	1,127,721

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Net cash generated from operating activities	**116,742**	221,130
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and other assets	**(58,584)**	(54,246)
Placement of restricted bank balances	**(1,286)**	(798)
Proceeds from release of restricted bank balances	**964**	2,051
Repayment of finance lease receivables from a fellow subsidiary	**4,619**	4,507
Finance income under finance leases to a fellow subsidiary received	**191**	277
Interest received	**1,197**	1,315
Placement of non-restricted bank deposits with original maturity of more than three months when acquired	**(1,508)**	(7,033)
Maturity of non-restricted bank deposits with original maturity of more than three months when acquired	**69,357**	–
Proceeds from disposal of property, plant and equipment	**29**	30
Receipts of government grants	**–**	11,848
Net cash generated from (used in) investing activities	**14,979**	(42,049)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**375,000**	195,000
Repayments of bank and other borrowings	**(305,505)**	(287,000)
Dividend paid to non-controlling shareholders	**(12,000)**	(20,000)
Dividend paid to shareholders	**(7,358)**	(2,382)
Interest paid	**(15,802)**	(10,713)
Net cash generated from (used in) financing activities	**34,335**	(125,095)
Net increase in cash and cash equivalents	**166,056**	53,986
Cash and cash equivalents at beginning of the period	**560,246**	501,145
Effect of foreign exchange rate changes	**439**	(6,850)
Cash and cash equivalents at the end of the period represented by:		
Bank balances and cash	**727,300**	548,281
Bank overdrafts	**(559)**	–
	726,741	548,281

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

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

The financial information relating to the year ended 31 December 2015 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as are required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012–2014 Cycle*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

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

3. REVENUE

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

	For the six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Blister copper	**457,408**	531,813
Copper cathodes	**157,617**	125,663
Sulfuric acid	**15,295**	19,461
	630,320	676,937

4. SEGMENT INFORMATION

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

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

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

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

4. SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results

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

	Leaching *US$'000* (Unaudited)	Smelting *US$'000* (Unaudited)	Consolidated *US$'000* (Unaudited)
For the six months ended 30 June 2016			
Revenue from external customers	157,617	472,703	630,320
Inter-segment sales	–	10,568	10,568
Total segment revenue	157,617	483,271	640,888
Elimination			(10,568)
Revenue for the period			630,320
Segment profit	11,011	8,752	19,763
Unallocated income			473
Unallocated expenses			(2,810)
Profit for the period			17,426

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results *(Continued)*

	Leaching *US$'000* (Unaudited)	Smelting *US$'000* (Unaudited)	Consolidated *US$'000* (Unaudited)
For the six months ended 30 June 2015			
Revenue from external customers	125,663	551,274	676,937
Inter-segment sales	–	2,485	2,485
Total segment revenue	125,663	553,759	679,422
Elimination			(2,485)
Revenue for the period			676,937
Segment profit	(5,146)	20,627	15,481
Unallocated income			433
Unallocated expenses			(1,173)
Profit for the period			14,741

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit represents the profit for the period earned or incurred by each segment without allocation of corporate expenses and bank interest income of the Company and China Nonferrous Mining Holdings Limited. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. SEGMENT INFORMATION *(CONTINUED)*

Segment assets and liabilities

	At 30 June 2016 US$'000 (Unaudited)	At 31 December 2015 US$'000 (Audited)
Segment assets		
– Leaching	**743,163**	739,118
– Smelting	**1,297,984**	1,214,085
Total segment assets	**2,041,147**	1,953,203
Unallocated assets	**274,227**	237,015
Elimination	**(12,723)**	(20,951)
Consolidated total assets	**2,302,651**	2,169,267
Segment liabilities		
– Leaching	**676,153**	576,500
– Smelting	**673,520**	552,335
Total segment liabilities	**1,349,673**	1,128,835
Unallocated liabilities	**160,804**	273,912
Elimination	**(12,723)**	(20,951)
Consolidated total liabilities	**1,497,754**	1,381,796

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. SEGMENT INFORMATION *(CONTINUED)*

Geographical information

The Group's operations are mainly in Zambia and Democratic Republic of Congo ("DRC") and US$829,017,000 (31 December 2015: US$814,095,000) and US$113,385,000 (31 December 2015: US$116,778,000) of its non-current assets other than financial instruments and deferred tax assets are located in Zambia and DRC, respectively.

The Group's revenue from external customers by their geographical locations is detailed below:

	For the six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
PRC	**516,209**	412,940
Australia	**–**	107,856
Switzerland	**62,734**	85,779
Africa	**11,636**	19,388
Singapore	**7,481**	31,776
Luxemburg	**32,260**	19,198
	630,320	676,937

5. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**15,731**	11,933
Unwinding of discount	**212**	200
	15,943	12,133
Less: Amount capitalised in the cost of qualifying assets	**(5,178)**	(1,977)
	10,765	10,156

6. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Foreign exchange gain/(losses), net	**6,082**	(19,556)
(Loss)/Gain on disposal of property, plant and equipment, net	**(9)**	18
Gain arising on change in fair value of derivatives	**1,335**	1,583
Reversal of impairment losses on trade receivables	**461**	–
Others	**(635)**	(2,085)
	7,234	(20,040)

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Income Tax in Zambia	**3,375**	7,807
Income Tax in DRC	**6,820**	3,627
Income Tax in Ireland	**20**	–
	10,215	11,434
Deferred tax	**(4,968)**	(7,547)
Total income tax expense	**5,247**	3,887

Pursuant to "Income Tax (Amendment) Act, 2015" enacted by the Parliament of Zambia on 14 August 2015 (the "Act"), with effect from 1 July 2015, the applicable tax rate on the assessable income from smelting and leaching operations of the Company's subsidiaries, Chambishi Copper Smelter Limited ("CCS") and Sino-Metal Leach Zambia Limited ("SML") is 35% (six months ended 30 June 2015: 30%), whereas the mining operations of the Company's subsidiaries, NFC Africa Mining PLC ("NFCA") and CNMC Luanshya Copper Mines PLC ("Luanshya") are subject to a variable tax rate ranges from 30% to 45% (six months ended 30 June 2015: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

7. INCOME TAX EXPENSE *(CONTINUED)*

Income Tax in The Republic of Ireland ("Ireland") is calculated at 12.5% (six months ended 30 June 2015: 12.5%) on the estimated assessable income.

Income Tax in DRC is calculated at 30% (six months ended 30 June 2015: 30%) on the estimated assessable income.

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	For the six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**45,182**	56,767
Staff costs:		
Salaries, wages and welfare (including directors' remuneration)	**30,580**	40,809
Retirement benefit schemes contributions	**3,390**	4,714
Total staff costs	**33,970**	45,523
Less: Amounts included in construction in progress	**(1,177)**	(765)
	32,793	44,758
Cost of inventories recognised as an expense	**565,571**	597,767
Minimum lease payments in respect of land and buildings	**3,099**	3,169

Note: The Baluba Center Mine of Luanshya has been suspended since 8 September 2015 as a result of the force majeure event that Zambia has reduced the power supply. The operating expenses incurred during the current interim period in relation to the mine amounting to US$7,469,000 (six months ended 30 June 2015: nil) was recognised in other expenses.

9. DIVIDENDS

During the current interim period, no dividend was declared or proposed (six months ended 30 June 2015: US¢0.28 per share in respect of the year ended 31 December 2014 in total of approximately US$9,874,000).

The directors of the Company (the "Directors") has determined that no dividend will be paid in respect of the interim period.

10. EARNINGS PER SHARE

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share *(in US$'000)*	**6,711**	1,044
Number of shares for the purpose of basic earnings per share *(in '000)*	**3,489,036**	3,489,036

During the six month periods ended 30 June 2016 and 2015, there was no potential ordinary share outstanding.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment and incurred construction costs in an aggregate amount of US$57,140,000 (six months ended 30 June 2015: US$57,153,000 (unaudited)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

12. INVENTORIES

	At 30 June 2016 *US$'000* (Unaudited)	At 31 December 2015 *US$'000* (Audited)
Raw materials	**139,852**	154,398
Spare parts and consumables	**81,442**	84,713
Work in progress	**31,098**	53,539
Finished goods	**10,060**	13,730
	262,452	306,380

13. TRADE RECEIVABLES

	At 30 June 2016 *US$'000* (Unaudited)	At 31 December 2015 *US$'000* (Audited)
Trade receivables	**149,337**	115,908
Less: Allowance for doubtful debts	**(135)**	(596)
	149,202	115,312

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

	At 30 June 2016 *US$'000* (Unaudited)	At 31 December 2015 *US$'000* (Audited)
0 to 30 days	**83,765**	92,779
31 to 90 days	**62,991**	19,221
91 to 180 days	**202**	60
181 to 365 days	**2,104**	55
1–2 years	**140**	3,197
	149,202	115,312

13. TRADE RECEIVABLES *(CONTINUED)*

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

Revenue on provisionally priced sales resulted in the revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative which included in the Group's trade receivables amounting to US$2,339,000 (a liability) as at 30 June 2016 (31 December 2015: US$4,815,000 (a liability)).

Included in the Group's trade receivables are balances with the following related parties:

	At 30 June 2016	At 31 December 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Fellow subsidiaries		
Subsidiaries of a non-controlling	**109,555**	70,642
shareholder of a subsidiary	**22,991**	35,200
	132,546	105,842

The above balances with related parties are unsecured, interest-free and are repayable according to the relevant sales contracts.

14. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2016	At 31 December 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Prepayments for inventories and others	**30,885**	33,724
VAT receivables	**94,836**	64,793
Deposits for futures margin accounts	**11,274**	7,680
Other receivables	**6,008**	4,777
	143,003	110,974

14. PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

Included in the Group's prepayments and other receivables are balances with the following related parties:

	At 30 June 2016 **US$'000** **(Unaudited)**	At 31 December 2015 US$'000 (Audited)
China Nonferrous Metal Mining (Group) Co., Ltd ("CNMC")	**61**	41
Fellow subsidiaries	**1,639**	2,599
A subsidiary of a non-controlling shareholder of a subsidiary	**13,234**	15,544
An associate	**1,610**	1,610
	16,544	19,794

The above balances with related parties are unsecured, interest-free and are repayable on demand.

15. TRADE PAYABLES

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

	At 30 June 2016 **US$'000** **(Unaudited)**	At 31 December 2015 US$'000 (Audited)
0 to 30 days	**134,836**	91,006
31 to 90 days	**11,546**	16,012
91 to 180 days	**11,607**	20,687
181 to 365 days	**39,621**	11,494
1–2 years	**20,512**	18,937
2–3 years	**4,011**	–
	222,133	158,136

The average credit period on purchases of certain goods is within 3 months and most payables are paid within the credit timeframe.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

15. TRADE PAYABLES *(CONTINUED)*

Included in the Group's trade payables are balances with the following related parties:

	At 30 June 2016	At 31 December 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Fellow subsidiaries	**47,846**	38,096

The above balances with related parties are unsecured, interest-free and are repayable on demand.

16. OTHER PAYABLES AND ACCRUED EXPENSES

	At 30 June 2016	At 31 December 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Receipts in advance from customers	**3,496**	5,223
Payables for property, plant and equipment	**4,444**	8,900
Dividend payable to a shareholder	**–**	7,358
Dividend payable to a non-controlling shareholder	**–**	12,000
Other tax payables	**15,287**	13,595
Accrued and other payables	**25,970**	25,005
	49,197	72,081

16. OTHER PAYABLES AND ACCRUED EXPENSES *(CONTINUED)*

Included in the Group's other payables and accrued expenses are balances with the following related parties:

	At 30 June 2016 *US$'000* **(Unaudited)**	At 31 December 2015 *US$'000* (Audited)
CNMC	**384**	1,888
Fellow subsidiaries	**3,834**	4,133
A non-controlling shareholder of a subsidiary	**3,229**	2,877
Dividend payable to a non-controlling shareholder of a subsidiary	**–**	12,000
An associate	**2,143**	2,143
	9,580	23,041

The above balances with related parties are unsecured, interest-free and are repayable on demand.

17. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank and other borrowings amounting to approximately US$375,000,000 (six months ended 30 June 2015: US$195,000,000), and repaid bank and other borrowings amounting to approximately US$305,505,000 (six months ended 30 June 2015: US$287,000,000).

The Group's borrowings included a loan from CNMC of US$1,077,000 (31 December 2015: US$1,077,000) which is unsecured and bears interest at rate varies based on benchmark interest rate published by the People's Bank of China of 3.3% per annum (six months ended 30 June 2015: nil) and loans of US$300,000,000 (31 December 2015: nil) from a fellow subsidiary which are unsecured and bear interest at a rate of 4% per annum.

As at 31 December 2015, the Group's borrowings included a loan from a non-controlling shareholder of a subsidiary of US$22,605,000, which was repaid in March 2016.

As at 31 December 2015, in respect of bank loans with a carrying amount of US$70,000,000 (shown under current liabilities as at 31 December 2015), the Group cannot meet the certain term of the bank loan, which is primarily related to consolidated tangible net worth. During the current interim period, the Group has obtained waiver letters from relevant banks to ensure they will not call for immediate repayment of the relevant loans.

17. BANK AND OTHER BORROWINGS *(CONTINUED)*

During the current interim period, in respect of the above mentioned bank loans, the Group has repaid US$13,000,000 according to the repayment schedule, regarding the remaining carrying amount of US$57,000,000 (shown under current liabilities), the Group was not able to meet certain term of the bank loans, which is primarily related to consolidated tangible net worth as at 30 June 2016. On discovery of it, the Directors informed the lenders and commenced a renegotiation of the terms of the loans with the relevant banks. Up to the date of approval for issuance of these condensed consolidated financial statements, the negotiation is still in the progress. The Directors are confident that their negotiation with the lenders will ultimately reach a successful conclusion. In any event, should the lenders call for immediate repayment of the loans, the Directors believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
30 June 2016 (unaudited)				
Copper future contracts *(note)*	–	(241)	–	(241)
Embedded derivatives arising from sales under provisional pricing arrangement *(note)*	–	(2,339)	–	(2,339)
31 December 2015 (audited)				
Copper future contracts *(note)*	–	(182)	–	(182)
Embedded derivatives arising from sales under provisional pricing arrangement *(note)*	–	(4,815)	–	(4,815)

Note: Calculated using discounted cash flow. Future cash flows are estimated based on the expected redemption amount that are discounted at a rate that reflects the credit risk of the counterparty.

There were no transfers between Level 1 and 2 in the period.

Except as detailed above, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

19. OPERATING LEASE – THE GROUP AS LESSEE

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

	At 30 June 2016	At 31 December 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Within one year	**5,532**	5,624
In the second to fifth years inclusive	**–**	2,743
	5,532	8,367

20. CAPITAL COMMITMENTS

	At 30 June 2016	At 31 December 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided for in respect of acquisition of property, plant and equipment	**250,555**	280,548

21. RELATED PARTY TRANSACTIONS

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

(1) Transactions with CNMC and its subsidiaries

	Notes	**Related parties**	**For the six months ended 30 June 2016 US$'000 (Unaudited)**	For the six months ended 30 June 2015 *US$'000* (Unaudited)
Sales of:				
– Blister copper	(i)	Fellow subsidiaries	**341,854**	350,651
– Copper cathodes	(i)	Fellow subsidiaries	**104,818**	92,636
– Other materials	(i)	Fellow subsidiaries	**54**	105
Finance income earned under finance leases	(i)(ii)	A fellow subsidiary	**191**	277
Purchases of:				
– Plant and equipment	(i)	Fellow subsidiaries	**2,645**	3,949
– Materials	(i)	Fellow subsidiaries	**7,982**	6,604
– Services	(i)	Fellow subsidiaries	**23,516**	29,520
- Electricity	(i)	Fellow subsidiaries	**7,261**	7,323
- Freight and transportation	(i)	A fellow subsidiary	**326**	730
Rental expenses	(i)	CNMC and a fellow subsidiary	**2,976**	2,506
Guarantee fees	(i)	CNMC	**819**	1,837
Interest expenses	(i)	CNMC and a fellow subsidiary	**927**	–

Notes:

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

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

21. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(1) Transactions with CNMC and its subsidiaries *(Continued)*

In addition to the above, the Group had the following transactions with CNMC and its subsidiaries:

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

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

(2) Transactions with non-controlling shareholders of subsidiaries and their subsidiaries

	Notes	**Related parties**	**For the six months ended 30 June 2016 US$'000 (Unaudited)**	2015 US$'000 (Unaudited)
Sales of:				
– Blister copper	(i)	Subsidiaries of a non-controlling shareholder of a subsidiary	**69,537**	107,670
Purchases of:				
– Materials	(i)	A subsidiary of a non- controlling shareholder of a subsidiary	**6,342**	5,016
Interest expenses	(ii)	A non-controlling shareholder of a subsidiary	**417**	897

Notes:

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

(ii) The interest expense arose from an unsecured loan from a non-controlling shareholder of a subsidiary. The loan bears interest at rate of 8.0% per annum and was repaid in March 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

21. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(3) Government-related entity operated in the PRC

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

The Group has entered into various transactions, amongst others, including deposit placements, borrowings and other bank facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. In view of the nature of these transactions, the directors of the Company are of the opinion that separate disclosures would not be meaningful.

(4) The details of remuneration of key management personnel, including emoluments of the directors, paid during the period are set out below:

	For the six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Salary, bonus and other allowance	**379**	332
Retirement benefit schemes contributions	**26**	17
	405	349

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